INTRODUCTION TO MARKETING

Marketing is everywhere and it affects our day- to-day life in every possible manner. Formally or informally people and organizations engage in a vast number of activities that could be called as marketing.

Basic terms:

Market: the word market is derived from the latin word "Marcatus". It means merchandise, trade or a place where business is conducted. In ordinary language, the term market means a place where goods are bought and sold. It is a place where buyers and sellers gather to exchange goods and services.

Classification of markets

1) **On the basis of area:**

a). **local market**: Carry on business in a particular locally or village or area.

b). **National market**: nation wide

c). **World market** : Global Market

2) **On the basis of time:**

a). **Very Short Period Market** : It is that of market in which goods are perishable

b). **Short Period market** : goods are durable and also reproducible

c). **Long Period market** : it deals in durable goods.

3) **On the basis of transactions :**

a). Spot Market : goods are transacted on the spot or immediately.

b). Future Market : in this type of market there is no physical delivery of goods.

4) **On the basis of regulation**

a). **Regulated market** : organized and regulated by statutory measure.

b). **Unregulated Market** : there is no restriction or control regarding price or quality.

5) **On the basis of volume of business:**

a). **wholesale market** : these are the markets in which goods are bought and sold in bulk quantities.

b). **retail market**: goods are bought and sold in small quantities.

6) **On the basis of goods:**

a). **commodity market** : it can be again divided into produce exchange, manufacturing goods market and bullion market

b). **capital market** : this market further divided into money market, foreign exchange market and stock market.

7) **on the basis of nature of competition:**

a). **perfect market:** there are large number of sellers and buyers, uniform price and homogeneous product

b) **imperfect market**

8) **on the basis of demand and supply conditions**

a) **seller's market** : demand is more than supply

b) **buyer's market** : supply is greater than demand

need, want and demands

need: need simply means necessity. It is the basic human requirement.

Want: wants are desires for specific satisfiers of needs. These are things that satisfies our needs. These are deeper needs.

Demand: demand is a want for specific products that are supported by an ability and willingness to buy them.

Product: product is what a seller sells. A product is anything that can be offered to satisfy a need or want. Products include goods, services and ideas.

Value and satisfaction

Value : value means utility per unit of price. It reflects the relationship of benefits to cost, or what we get for what we give. It is the ratio of benefits to price paid.

Satisfaction: if the actual value of product is equal to the expected value he is satisfied and vice versa.

Definitions

Product Oriented Definition

The emphasis is given on products. In1985 AMA redefined marketing as "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals."

Customer- Oriented Definition

Here the emphasis is on customers and their satisfaction. In the words of Philip Kotler "Marketing is the human activity directed at satisfying needs and wants through an exchange process."

Value Oriented Definition (Modern Definition)

In 2004 the American Marketing Association defined "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."

Nature of marketing:

- Marketing is a goal oriented process
- Marketing deals with products, distribution, promotion and pricing
- Marketing is the creation of utilities
- Marketing focuses on goods, services and ideas
- Delight of customers
- Surrounded by needs
- Marketing is business
- Process of exchange
- Universal function
- Societal process

Approaches of marketing

- **Product approach:** under this approach we study marketing problems of each commodity or product separately.
- **Functional approach** : this approach analyses different functions of marketing. These functions are selling, buying, warehousing etc.
- **Institutional approach** : the institutional approach stresses the importance of institutions and individuals who perform the marketing functions.
- **Social approach**: this approach emphasizes the necessity of the marketing functions for the good of society.
- **Managerial approach:** this approach focuses on the managerial aspects of marketing. It is based the fact that marketing is purely a managerial function.
- **System approach** : the modern view is that business as a whole is a system and management in general is also a system. Marketing function is a subsystem.
- **Inter-disciplinary approach** : this refers to the use of all disciplines to identify and solve marketing problems

Difference between marketing and selling

Selling	Marketing
It refers to transferring of goods and services to customers	It includes not only selling but also related activities such as advertising, marketing research
It focuses on the needs of seller	It focuses on the needs of buyer
It aims at maximum sales and profit	It aims at earning profit through customer satisfaction
It concerned with distribution of goods already produced	Marketing begins before production and continues after sales
Emphasis on short term objective of maximization of profit	Emphasis on long term objectives such growth and stability
It is an activity that converts product into cash	It is a function that converts the consumer needs into products.
Selling is production oriented	Customer oriented
It creates only possession utility	It creates time, place and possession utilities
In selling starting point is the product and the end point is the customer	It start and end with customer

Merchandising

Merchandising simply refers to product planning. It aims at internal planning relating to products or services for marketing at the right time, at right place and in proper colour, qualities and size. It covers everything from packaging of the product to selling of that product.

Marketing concepts

Traditional concepts:

- **Exchange concept:** it holds that the exchange of a product between the seller and the buyer is central idea of marketing
- **Production concept**: it holds that the consumers prefer the goods which are easily available at lower prices. Therefore, it is necessary to produce large quantities at lower price
- **Product concept** : it is a belief of the management that consumers favour the products of superior quality, better performance and innovative features. Therefore, management should give adequate emphasis on these factors.
- **Selling concept** : this concept assumes that consumers will not buy goods voluntarily unless the seller undertakes a large scale selling and promotional efforts.

Modern concepts

- **Marketing concepts:** this concept holds that the primary task of a business firm is to study the needs, desires and preferences of the potential consumers and produce goods which are actually needed by the consumers.

  Features of modern concepts
  - Customer is the key
  - Dual objective such as customer satisfaction and profit maximization
  - Considering needs and wants
  - Goods are produced according to needs and wants
  - Minimum cost of production
  - Start and end with customer
  - Market segmentation
  - Integrative marketing
- **Societal concept:** according to the societal concept business firms have to adopt socially responsible marketing policies in order to assure social welfare in addition to consumer welfare.
- **Total access concept** : access information with the help of internet.
- **Holistic marketing approach** : This concept is based on the development, design, and implementation of marketing programs, processes and activities that recognizes their breadth and interdependencies.. Holistic marketing is thus an approach that attempts to recognize and reconcile the scope and complexities of marketing activities.

Factors responsible for the growth of modern concept

- Population growth
- Growing number of households
- Increase in income of consumers
- Change in attitude towards life
- Technological development
- Growth of marketing channels
- Growth of mass media

Objectives of marketing/ marketing management

- Increase consumption
- Creation of goodwill
- Cost reduction
- Price stability
- Profit through customer satisfaction
- Ensure growth
- Providing choice of goods
- Improving quality of life
- Retaining customers

Scope of marketing

The scope of marketing can be understood in terms of functions and areas of applicability.

Marketing functions

- Function of research
- Function of exchange
- Function of physical supply
- Facilitating functions

Function of research

Marketing starts with functions of research. It consist of marketing research and product planning and development

a). **marketing research**: it helps in analyzing buyers' habits, popularity of product, effectiveness of adverting media etc. its major task is to provide the marketing manager with timely and accurate information so that better decision can be taken.

b). **product planning and development:** it refers to the planning and developing the products which exactly match to consumers.

Functions of exchange

The process of passing goods into consumer's hand is called exchange. This function is subdivided into buying, assembling and selling

a). buying : it is concerned with purchasing of raw materials by manufactures or finished products by traders.

b). **assembling** : when the firm purchased goods from different sellers, they have to be collected and assembled at one place. This function of collecting and concentrating goods of the same type from different sources at a place is called assembling.

c**). selling:** selling means finding the customers and transferring the goods to them for money or value.

Function of physical supply

These functions related with creation of place and time utilities. It consists the following:

a). **transportation** : it refers to the physical movement of goods or materials from the point of origin to the point of consumption. It helps the firm to bring materials to factories and to send the products to markets.

b). **storage and warehouse** : storage means holding and preserving goods from the time they are produced until they are needed by consumers. Storage is necessary in concentration as well as in distribution. Storage creates time utility. Storage function is facilitated by warehouses.

c). **packaging:** it is mainly done to protect the goods from damage in transit and to facilitate easy transfer of goods to consumers.

Facilitating functions :

a). **standardization and grading** : standardization means establishing standards for a commodity on the basis of features like quality, colour, size, design etc. of a product. If a particular good is of a certain standard, it means that they are a certain quality.

Grading means classification of standard products into certain classes. It is done on the basis of standardization.

b). **branding** : it means giving a name to the product by which it should become known and familiar among the consumers. It may be name or symbol or design with a view to identify the goods and to differentiate it from the competitors.

c). **pricing** : price is the exchange value expressed in term of money. Price of a product is determined after taking into consideration certain factors such as cost of production, demand etc.

d). **marketing information** : successful marketing requires correct and timely decisions. The decisions are taken on the basis of information relating to consumers' wants, their habits etc.

e) **financing** : marketing requires different kinds of finance such as short term finance, medium term and long term finance etc.

f). **risk taking** : marketing involves many risks. It may be defined as uncertainty with regard to cost, loss or damage. All these risks have to be met by the manufacturers and sellers.

g) **Promotion** : promotion includes all activities designed by the manufacturers to influence buyers through communication.

Areas of applicability

- Goods
- Services
- Experience
- Events
- Persons
- Places
- Property
- Organizations
- Information

- Ideas

Importance of marketing

Importance of marketing to companies

- Helps in income generation.
- Helps in planning and decision-making.
- Helps in exchanging information.
- Helps to adapt to changing environment.
- Expands global presence.
- Helps to earn goodwill.

Importance of marketing to consumers

- Provides quality products.
- Provides variety of products.
- Improves knowledge of consumers.
- Helps in selection.
- Consumer satisfaction

Importance of marketing to society

Marketing bridges the gap between firm and society.

- Provides employment.
- Raises standard of living.
- Creates utilities.
- Reduces costs.
- Solves social problems.
- Makes life easier.
- Enriches society.

Importance of marketing to economy

- Saves the economy from depression.
- Increase in national income.
- Economic growth.
- Ploughing back of resources

Evolution of marketing concepts

1). **The stage of economic self-sufficiency**: in this earliest stage there were small family units carrying out all the work to satisfy all their wants for food, clothing and shelter.

2). **The stage of primitive communism**: in this stage the land was owned in common and the output of labour were shared in common. There was no need of exchange in this type of society.

3). **The stage of simple barter**: under this stage those who produced in large quantity exchanged the surplus goods to others who did not produce that item.

4). **The stage of local market:** barter system encouraged the emergence of local markets. These local markets led to specialization of certain persons in marketing as opposed to production. The appearance of specialization in selling expanded the concept of marketing.

5). **The stage money economy:** barter system had some difficulties. The most important difficulty was the absence of common medium of exchange. The solution came through the development of a common medium of exchange as metal coins.

6). **The stage of early capitalism** : there were persons who were successful at accumulation due to their talent or force. They began to exchange goods and services that they had in surplus for the labour of other men. There arose a property class and labour class. The early capitalists organized workers into productive unit. A merchant class emerged who facilitated the distribution of goods.

7). **The stage of mass production** : the industrial revolution resulted in large scale production and enterprises. The producers sought means of increasing the stability of demand for their products. Out of this, modern marketing practices like branding, packaging, advertising etc originated.

8). **The stage of affluent society**: in highly developed economy, producers and sellers analyse what the people want rather than what they need and adjust their productive capacity and productions to meet that wants. Emphasis was laid on marketing research before decision on products were made.

Marketing process

The ultimate aim of all marketing efforts is to place the goods in the hands of consumers. The marketing process involves the following three major activities:

1. **Concentration:** concentration refers to assembling of goods produced at different production centres at a common marketing place.

2. **Dispersion:** when concentration is complete, and then arises the question of dispersion. The goods assembled at a central

place have to be distributed to the consumer.

3. **Equalization:** equalization process lies in between concentration and dispersion. In other words, the activity which occurs between the process of concentration and dispersion is called equalization. It consists of adjustment of supply to demand on the basis of time, quantity and quality

Marketing management

Marketing management simply means the management of marketing activities. It is the application of management tools and techniques in the efficient utilization of available marketing resources.

Marketing management tasks

a). **conversional marketing** : this task is needed when there is a negative demand. Negative demand exists when majority of consumers dislike the product or service. Thus conversional marketing means developing a plan or strategy that will try to convert the negative demand into a positive demand.

b). **development marketing** : this task is required when there is a latent demand. Latent demand means that a substantial number of customers in the market strongly share the need for product that does not exist now at all. Here the task is to transform latent demand into actual demand.

c). **remarketing** : the task of finding or creating new users or satisfactions for an existing product is known as remarketing.

d). **maintenance marketing** : the task of continuously monitoring the demand level and maintaining at the full level is known as maintenance marketing.

Features of modern marketing

- Consumer oriented
- Begin and end with consumers
- Precedes and succeeds production
- Guiding element of business
- Competition oriented
- Target marketing
- Direct marketing
- Seeks information
- Emphasis on mutuality benefit
- Retaining customers
- Marketing on the net
- Innovation
- International marketing

Marketing mix

Marketing mix is a combination of various elements, namely, Product, Price, Place (replaced by Physical Distribution) and Promotion.

Product: It is the thing possessing utility. It is the bundle of value the marketer offers to potential customers. The manufacturer first understands the consumer needs and then decides the type, shape, design ,brand, package etc. of the goods to be produced.

Price: it is the amount of money asked in exchange for product. It must be reasonable so as to enable the consumer to pay for the product.

Place (physical distribution): It is the delivery of products at the right time and at the right place. It is the combination of decision regarding channel of distribution (wholesalers, retailers etc.), transportation, warehousing and inventory control.

Promotion: It consist of all activities aimed at inducing and motivating customers to buy the product. The selection of alternatives determine the success of marketing efforts. Some firms use advertising, some others personal selling or sales promotion. Thus promotion includes advertising public relations, personal selling and sales promotion.

New marketing Mix

Packaging: Packaging is the art, science and technology of preparing goods for transport, sale and exchange. Packaging must be such that a customer is impressed at the very moment he or she sees the product.

People :It consists mainly of the people to whom goods are sold(consumer) and the people through whom goods are sold(sales people, wholesalers, retailers etc.) people include competitors also.

Public relations : the marketer has to increase awareness about the company and the products with the help of close contacts with the public. The public comprises employees, consumers, shareholders etc.

Politics: for growth, it is necessary to develop relationship with the law-makers. Politicians and Govt. officers are the law makers.

Factors affecting marketing mix

a. **Marketing factors**

- Marketing planning
- Brand policy
- Package policy
- Advertisement policy
- Distribution channels
- Pricing policy
- Market research
- Product life cycle
- Market segmentation

b. **Market factors**

- Consumer behavior
- Competition
- Govt. control

Marketing environment

Marketing environment refers to all uncontrollable factors which have bearing on the functioning of marketing department of any organization. It includes all forces or factors that affects marketing policies, decisions and operations of a business enterprise.

Types of marketing environment

Marketing environment is broadly divided into two – internal and external.

a). Internal marketing environment

It is a set of all forces which fall within the enterprise itself. These are controllable factors for the management. It consists the activities such as production, finance, H.R etc.

b). External marketing environment

It is a set of all forces which are external to the enterprise. These are uncontrollable factors for the management. External environment is further divided into two- micro and macro

1. **Micro environment**

The micro environment consist of the forces closes to the company that affect its ability to serve its customers. These are generally uncontrollable. It include

Suppliers : the firm who supply resources needed by the co. to produce goods and services are known as suppliers. When there are shortage or delay in supply, it will affect the marketing activities.

Marketing intermediaries : they include wholesalers, retailers banks, insurance companies etc. these have an important role in shaping the marketing decisions.

Competitors : the co. should monitor the competitive environment and competitor's offerings. A co. should understand the weakness, strength and actions of competitor to survive in the competing world.

Customers : marketing is concerned with customer satisfaction. Because of this, marketer should identify and understand its customers.

Publics : the public comprises labour union, trade associations, press, Govt. officials etc. these groups have direct or indirect influence on marketing plans and policies of a firm.

1. **Macro environment**

It consists of forces affecting the entire society or economy at large. It include

Demographic environment : it refers to the characteristics of population such as size, growth etc. marketer must study the size, density, age, sex etc. for the success of marketing.

Economic environment : it includes inflation rate, business cycle, unemployment, Govt. policies etc.

Socio-cultural factors :it includes values, food habits, education, religious belief etc.

Technological environment : technological development in the economy has to play a vital role in the area of business and marketing activities.

Political and legal environment : it refers to the Govt. policies and decisions and rules and regulations in a country affecting marketing function of an enterprise.

Ecological or natural environment : marketing should consider the ecological problems like pollution and exploitation of natural resources while formulating marketing plans.

International environment : it includes foreign policies, international treaties etc.

Environmental scanning

It simply refers to collection of information and screening it to anticipate and interpret changes in the environment. It is the systematic collection of information about various environmental factors that have an impact on business.

CONSUMER BEHAVIOUR

The study of consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. In the words of Walters and Paul " consumer behaviour is the process whereby individuals decide what, when, where, how and from whom to purchase goods and services."

Types of consumer behaviour

There are four types of consumer behaviour. They are;

Complex Buying Behaviour: Consumers goes through complex buying behaviour when they are highly involved in a purchase and aware of significant differences among brands. Consumers are highly involved when the product is expensive, bought infrequently, risky and self-expensive.

Dissonance Reduction Buying Behaviour: Sometimes consumers are highly involved in purchases but see little difference in the brands. After the purchase they feel that the product does not perform to their expectations. They may thing about alternative brand which has forgone in the brand selection process. As a result, they feel some discomfort. This mental condition is known as *Cognitive Dissonance*.

Variety Seeking Buying Behaviour: Here consumers have a lot more brand options to choose. At the same time there are significant brand differences. They go on changing from one brand to another. They like experiments for the sake of variety satisfaction.

Habitual Buying Behaviour : In this situation consumers buy their products on regular basis. Brand switching behaviour is quite common here. Variations among brands are significant.

Buying motives

It is the buying motives which induce a consumer to buy a particular product. Thus buying motive is a strong feeling, instinct, desire or emotion that make the buyer to buy a product. In short, a buying motive is the reasons why buyers buy.

Types of buying motives

- Product and Patronage motives.
- Emotional and Rational motives.
- Inherent and Learned motives.
- Psychological and Social buying motives.

Product and patronage motives

Product motives:

It refers to those influences and reasons which make the consumer buy a certain product in preference to another. Product motives are of two types:

Primary Product Motives: These motive induce a consumer to purchase general class of the product. These motive relate to the basic needs of people like hunger, thirst, sleep etc.

Selective Product Motives: These motives determine particular brand or item will purchased from the general class. The factor which influences the decision to buy a particular product from among various brands or models is known as Selective Product Motive.

Patronage motive:

These are those motives which determine where or from whom products are purchased. These are the considerations which induce a buyer to buy goods from specific shops. Following are the key patronage motives:

Price: As income is limited, an individual would like to purchase cheap products or at discount.
Location: Nearest to one's residence may induce people to buy from a particular store which may say:
Quality: It appeals some customers to buy standard quality goods, even if costly, The usual appeals are.
Variety: Some people may buy products from a particular shop because of variety of goods available there. Hence following appeal attracts buyers.
Services: Services like home delivery, credit, goods gift, free services etc. may induce people to buy products. Examples of appeals are:
Personality of the Owner or Salesmen: Even the personality of the owner or salesmen may induce some people to buy goods from particular store.

Emotional and rational motives

Emotional motives

When a consumer decides to buy without much logical thinking, his decision is said to be emotional. The emotional motives are of the following types.
Sex or Romance Motive: Fancy clothes, cosmetics, perfumes etc. are in great demand on account of the instinct of sex or a desire to attract the opposite sex.
Love of Others(Affection Motives): This motives plays an important part when parents purchase all kinds of things for their children like toy, fancy garments, and other presents and take insurance policies to make provision for their future.
Social Acceptance Motive: Every individual wants to have respect and acceptance from the group to which he belongs.
Vanity Motive: People like to feel important in the society, among friends, in association and clubs, to achieve status symbols.
Recreation and Relaxation Motive: People purchase sports and games materials, indoor game, horse racing, tickets for cinema, record players, magazines etc.
Curiosity Motive: Adolescent boys and girls and even adults are curious about certain things such as old paintings, old coins, blue films, cabaret dancers etc.
Emulate Motive: Some people are motivated to buy what is reported to be used by great people whose opinions matter.
Comfort and Convenience Motive: Most people like to do everything in an easy way and in comfort. Hence this motive may be well exploited by the marketers particularly for selling luxury items.

Rational motives

When a buyer decides to buy after careful consideration or logical thinking, his decision is said to be rational. Rational motives are of the following types:
Monetary Gain: Almost all buyers would like to get monetary benefits or to purchase better products at a comparatively low cost.
Efficiency in Operation and Use: Most buyers buy products which function efficiently and effectively. For example, knife sharpeners, razors, grinders in the kitchen and in offices etc.
Dependability Motive: It compels an individual to buy to satisfy his desire to obtain quality goods of reliable and durable nature.

Inherent and learned motives

Inherent motive:

These are those which come from the physiological or basic needs such as hunger, thirst, sleep, sex etc. these are the motives for the satisfaction of which a consumer makes his best efforts and if these motives are not satisfied he feels mental tension.

Learned motives:

Learned motives are those which are acquired or learned by a consumer from the environment and education. These motives are social status, social acceptance, fear, security etc. while satisfying learned motives, the consumer does not consider even the price of the product.

Psychological and social buying motives

Psychological buying motive:
These are those which are driven by internal psychological processes like learning, perception and attitude.

Social motive:
Man is a social being. He cannot live away from the influence of the society. His consumption motives are shaped by his interactions with members of hi family and society. Thus social motives are those motives which are influenced by the society in which consumers live.

Consumer buying process (consumer decision making process)
Buying is a mental process. A decision to buy a product is taken after passing through different stages.

Recognition of an unsatisfied need: All buying decisions start with need recognition. When a need is not satisfied it creates tension. This tension drives people to satisfy that need.

Identification of alternatives: After recognizing a need or want consumers search for information about the various alternatives available to satisfy it.

Evaluation of alternatives: By collecting information during the second stage, an individual comes to know about the brands and their features. Now he compares the alternative products or brands in terms of their attributes such as price, quality, durability etc.

Purchase decision: Finally the consumer arrives at a purchase decision. Purchase decision can be one of the three, namely no buying, buying later and buying now.

Post purchase behaviour: It refers to the behaviour of a consumer after purchasing a product. After the consumer has actually purchased the product/brand he will be satisfied or dissatisfied with it. The negative feeling which arises after purchase causing inner tension is known as *cognitive dissonance* (or post purchase dissonance).

Factors influencing consumer behaviour/ buying decisions
All factors which determine the buying or consumer behaviour are broadly classified into six. Psychological factors, Social factors, Cultural factors, Personal factors, Economic factors and Environmental factors.

Psychological Factors
1) **Consumer Needs and Motivation**: All buying decisions start with need recognition. People always seek to satisfy their needs.
2) **Perception:** It is the process of selecting, organizing and interpreting information in order to give meaning to the world or environment we live in. The marketers should understand the consumer perception and convert perception into a buying response.
3) **Learning:** Learning is the process of acquiring knowledge. The importance of learning theory for marketers is that they can create demand for a product.
4) **Belief and Attitude**: A belief is a descriptive thought that a person holds about something. Such thoughts are based on learning, opinion or faith. Attitude means a person's feelings towards a particular object or situation.

Cultural Factors
1) **Culture:** It is a set of Ideas, Customs, Values, Art and Belief that are produced or shaped by a society and passed on from generation to generation. Culture influence what we eat and wear, how we relax and where we live etc.
2) **Sub-Culture**: It is a segment within a large culture that shares a set of beliefs, values or activities that differ in certain respects from those of the main or overall culture.
3) **Social Class:** Consumers buying behaviour is determined by the social class to which they belong rather than by their income alone. The social class is based on income, education, occupation, family history, wealth, lifestyle, area of residence etc.

Social Factors
1) **Reference Group:** consumer behaviour is

influenced by various groups within society known as reference groups. We have several reference groups with whom an individual associate such as friends, relatives, classmates, club memberships etc.

2) **Role and Status:** A person's role and status influence his general as well as buying behaviour.

3) **Family:** Family is one of the important factors influencing buying behaviour.

Personal Factors

1) **Age:** Need and wants are determined by age. So buying changes with age, Taste for food, clothing and recreation etc. changes with age.

2) **Stages in the Life Cycle**: People buy different goods during different life cycle stages. Life cycle of an individual refers to the different phases of his or her life.

3) **Occupation and Economic Status**: Occupation influences product choice, brands beliefs etc. It determines income, buying power and status.

4) **Life Style**: It indicates how people live, how they spend their time, how and what they choose and where they shop.

5) **Personality:** Personality refers to the unique psychological characteristics of an individual. Personality of consumers influences brand preference and choice of products.

6) **Self-Image**: Self image implies what one thinks of himself/herself . Self-concept is an important factor to marketers in planning advertising campaign.

Economic Factors

1) **Personal Income**: Gross income of a person is composed of disposable and discretionary income. When disposable income rises, the expenditure on various items will increase and vice versa.

2) **Family Income:** The family income remaining after the expenditure on the basic needs of the family is made available for buying goods, durables and luxuries

3) **Income Expectations:** If a person expects any increase in his income he will buy durables on hire purchase etc, if his future income is likely to decline he will restrict his expenditure to bare necessities.

4) **Savings:** When a person decides to save more, he will spend less on comfort and luxuries.

5) **Liquidity Position:** If an individual has more liquid assets, he goes in for buying comfort and luxuries.

6) **Consumer Credit:** If Consumer Credit is available on liberal terms, expenditure on comfort and luxuries will increase.

Environmental Factors

1) **Political Situation:** In state monopolies, consumers have to be satisfied with a limited range of products, but in market oriented economy like that of USA, consumers have wider choice.

2) **Legal Forces:** Consumers make purchases within the legal framework. All purchase dealings are carried on within legal limits.

3) **Technological Advancements:** Technological advancements bring wide range of changes in products/ services and makes consumers go in for latest products.

4) **Ethical Considerations:** Buying behaviour is influenced by the sense of social morality and ethical considerations.

MARKET SEGMENTION AND TARGET MARKET

Meaning and definition

Segmentation is a consumer oriented marketing strategy. It is a process of dividing the market on the basis of interest, need and motive of the consumer. Market segmentation simply means dividing market or grouping of consumers. It refers to grouping of consumers according to such characteristics as income, age, race, education, sex, geographic location etc.

According to Philip Kotler, " Market segmentation is the sub-dividing of a market into homogenous sub-sects of consumers where any sub-sects may conceivably be selected as a market target to be reached, With a distinct marketing mix."

Market Segmentation Process

- Establish overall strategy
- Decide the bases for segmenting the market
- Select segmentation variables
- Profile the segments
- Evaluate segment attractiveness

Criteria for effective segmentation

Homogeneity : customers within a segment should be as similar as possible in terms of their responses to the marketing mix elements.

Measurability- The size, profile, and other relevant characteristics of the segment must be *measurable* and obtainable in terms of data

Substantiality- *Substantiality* refers to the size of the segmented market. Segments must be large enough to be profitable

Accessibility - The segment must be *accessible*, which means marketers must be able to reach the market segments at lower costs.

Profitability : they buyers in the segment should have the willingness as well as ability to purchase

Responsiveness : the customers in the segment must respond positively to the firm's offering.

Growth potential : segment selected should have potential for future growth.

Need and importance of market segmentation

A. Advantages to firms

- Increases sale volume.
- Helps to win competition.
- Enables to take decisions.
- Helps to prepare effective marketing plan.
- Helps to understand the needs of consumers.
- Makes best use of resources.
- Expands markets.
- Creates innovations.
- Higher markets share.
- Specialized marketing.
- Achieves marketing goals.

B. Advantages to consumers

- Customer oriented.
- Quality product at reasonable price.
- Other benefits such as discounts, prize etc.

Patterns of segmentation

Undifferentiated Marketing: Under this strategy, the producer or marketer does not differentiate between different type of customers. One marketing mix is used for the whole market. Eg. Pepsi.

Differentiated Marketing: A number of market segments are identified and different marketing mix is developed for each of the segments. Eg; consumer products.

Concentrated Marketing: It is concerned with the concentration of all marketing efforts on one selected segment within the total market. Eg; Kid's wear.

Customised or Personalised Marketing: In this case firms view each customer as a separate segment and customised marketing programmes to that individuals specific requirements. Eg; civil engineers designing flats, villas, bridges etc.

Bases for Market Segmentation

Demographic segmentation: In Demographic segmentation, the market is segmented on the basis of demographic variables such as age, sex, family size, family life cycle, income, occupation, education etc.

(a) **Age:** Age is an important factor for segmenting the market. This is because demand and brand choice of people change with age. On the basis of age, a market can be divided into four- Children, Teenagers, Adults and Grown-ups.

(b**) Sex:** Sex based segmentation means grouping customers into males and females. The wants, tastes, preferences, interests, choices etc, of men are different from that of women.

(c) **Family Life Cycle:** It refers to the important stages in the life of an ordinary family. Broadly divided into the following stages.

Stage 1: Childhood.
Stage 2: Bachelorhood (unmarried).
Stage 3: Honeymooners- Young married couple.
Stage 4: Parenthood- (a) Couple with children. (b) Couple with grown up children.
Stage 5: Post- parenthood- Older married couple with children living away from Parents (due to job or marriage of sons and daughters).
Stage 6: Dissolution- One of the partners is dead.
Wants, tastes, interests, buying habits etc vary over different life cycles stages.

(d)**Religion:** Religious differences have important effect on marketing. The male folk among the muslims have a demand for striped lungis and the woman folk for pardhas.

(e) **Income:** Income segmentation is used for automobiles, clothing, cosmetics, travel, financial services etc.

(f) **Occupation:** Market segmentation is done also on the basis of occupation of consumers. For instance, doctors may demand Surgical equipment, lawyers may demand coat etc.

(g) **Family Size:** A marketer launches different sizes of products in the market according to size of the family.

(h) **Education:** On the basis of education, market for books may be divided as high school, plus two, graduate and post graduate.

Geographic segmentation:

(a) **Area:** This type of segmentation divides the market into different geographical units such as country, state, region, district, area etc.

(b) **Climate:** On the basis of climate, areas can be classified as hot, cold, humid and rainy region. Climate determines the demand for certain goods.

(c) **Population Density:** The size and density of population affects the demand for consumer goods. In those areas where size and density of population is high, there will be good demand for consumer goods.

Behavioural segmentation: Behavioural segmentation is based on buyer behaviour i.e. the way people behave during and after purchase.

(a) **Attitude**: Customers can be segmented on the basis of attitude such as enthusiastic, positive, indifferent, negative, hostile etc.

(b) **Product Segmentation:**

(1) Prestige products, e.g., Automobiles, clothing, Home furnishing.
(2) Maturity products, e.g., Cigarettes, Blades etc.
(3) Status products, e.g., Most luxuries.
(4) Anxiety products, e.g., Medicines, soaps etc.
(5) Functional products, e.g., Fruits, vegetables etc.

(c) **Occasion Segmentation :** There can be two types of situations- regular and special. For example, for regular use, women purchase cotton or polyester sarees or churidars. For attending marriage or reception(special occasion) they buy silk sarees.

(d) **Benefit Segmentation:** Benefit segmentation implies satisfying one benefit group. The benefit may be classified into Generic or Primary and Secondary or Evolved.

(e) **Volume Segmentation:** The market is segmented on the basis of volume or quality of purchase.

(f) Loyalty Segmentation: sometimes, brand loyalty used as the basis for segmentation On the basis of brand loyality, buyers can be divided into the following five groups. (1) Hard-core loyals (2) Softcore loyals (3) Shifting loyals (4) Switchers (5) Consumer innovators.

Psychographic segmentation: It refers to grouping of people into homogeneous segments on the basis of psychological make-up namely personality and life style.

(a) **Life Style:** A person's life style is the pattern of living as expressed in the person's activities, interests and opinions .They express their life styles through the products they use.

(b) **Personality:** Personality reflects a person's traits, attitude and habits. It is in this background that a person is classified as active or passive, rational or impulsive, creative or conventional, introvert or extrovert.

(c) **Social Class:** On the basis of Social class, consumers may be grouped into lower class, middle class and upper class. Social class is determined by income, occupation and education.

Target marketing

Target marketing is the process of assessing the relative worth of different market segments and selecting one or more segments in which to compete. These become the target segments.

According to David Cravens and others " Target market is a group of existing or potential customers within a particular product market towards which an organization directs its marketing efforts".

Target marketing strategies

a). **Total market approach**: A company develops a single marketing mix and directs it at the entire market for a particular product.

b). **Concentration approach**: An organization directs its marketing efforts toward a single market segment through a single marketing mix. The total market may consist of several segments, but the organization selects only one of the segments as its target market.

c). **Multi-segment approach:** An organization directs its marketing efforts at two or more segments by developing a marketing mix for each segment.

Steps in target marketing

It involves the following four major steps:

1) **Market segmentation:** Markets are segmented on the basis of certain characteristic such as sex, education, income, age etc.

2) **Market targeting:** It refers to evaluating each market segments attractiveness and selecting one or more of the segments to enter.

3) **Designing the marketing mix**: After selecting the segment, the next step is to design a suitable product and other marketing mix elements for each segment selected.

4) **Product Positioning:** Market segmentation strategy and market positioning strategy are like two sides of a coin. Target marketing begins with segmentation and ends with positioning.

Product positioning

The act of creating an image about a product or brand in the consumers mind is known as positioning.

In the words of Kotler, "Positioning is the act of designing the company's offer and image so that it occupies a distinct and valued place in the target consumers' minds." In short, the process of creating an image for a product in the minds of targeted customers is known as product positioning.

Steps in product positioning

1) Identifying potential competitive advantages
2) Identifying the competitors position
3) Choosing the right competitive advantages
4) Communicating the competitive advantage
5) Monitoring the positioning strategy

Elements of positioning

It is concerned with the following four elements.

1) **The Product**: Design, special feature, attributes, quality, package etc. of product create its own image in the minds of the consumers. Material ingredient of a product is also important in the process of product positioning.

2) **The Company**: The goodwill of a company lends an aura to its brand.

3) **The Competitors**: Product image is built in consumers mind in relation to the competing product. Thus a careful study of competition is required.

4) **The Consumer**: Ultimate aim of positioning policy is to create a place for the product in consumers' minds. Therefore, it becomes necessary to study the consumer behaviour towards the product.

Techniques of product positioning

a). **Positioning by Corporate Identity:** The companies that have become a tried and trusted household name.

b). **Positioning by Brand Endorsement**: Marketers use the names of company's powerful brands for line extentions or while entering another product category.

c). **Positioning by Product Attributes and Benefits:** It emphasize the special attributes and benefits of the product.

d). **Positioning by use, Occasion and Time**: It is to find an occasion or time of use and sit on it.

e). **Positioning by Price and Quality:** Company position its brand by emphasizing its price and quality.

f). **Positioning by Product Category**: Brand is perceived to be another product category.

g). **Positioning by Product User:** Positioning the product as an exclusive product for a particular class of customers.

h). **Positioning by Competitor:** An offensive positioning strategy and is often seen in cases of comparative advertising.

i). **Positioning by Symbols:** Some companies use some symbols for positioning their products.

Product repositioning

Sometimes companies tries to change their positioning. This is called repositioning. Repositioning means changing the product design, formulation, brand image or brand name, so as to alter the product's competitive position.

PRODUCT

Meaning: product can be defined as everything the purchaser gets in exchange for his money. It may be an article, commodity, service, idea etc.

According to Jobber(2004), " A product is anything that has the ability to satisfy a Consumer need."

Levels of product

A product is like an onion with several layers and each of the layer contributes to the total image of the product

- **Core product** : it is the fundamental benefit that a product delivers.
- **Basic product** : this is the actual product a consumer is buying
- **Expected product** : this is a set of attributes and conditions buyers normally expect when they purchase product.
- **Augmented product** : this is what the customer gets more than his expectations in products.
- **Potential products** : this is the evolutionary process through which the product may go in the future.

Classification of products

According to durability or tangibility

- **Non durable goods** : these goods consumed fast and purchased frequently. In other words, they cannot be used for long.
- **Durable goods** : these goods can be used for a long time. In other words, they can be used again and again.
- **Services** : these are activities, benefits or satisfaction offered for sale.

according to their degree of potential for global marketing:

i) **Local Products** - seen as only suitable in one single market.

ii) **International Products -** seen as having extension potential into other markets.

iii)**Multinational Products** - products adapted to the perceived unique characteristics of national markets.

iv) **Global Products** - products designed to meet global segments.

According to consumption

A - (1) Consumer Product

B - (2) Industrial Product

Consumer product:- "Product bought by final consumer for personal consumption". Consumer products divided into four classes.

i) **Convenience Product:-**Consumer product that the customer usually buys frequently, immediately, and with a minimum of comparison and buying effort.
ii) **Shopping Product:-** these are those which a consumers buys after comparing the suitability, quality, price etc. of different brands.
iii) **Specialty Products:-** these are goods which have special features and buyers make special efforts to buy them. The buyer will buy such goods from specialist retailers.
iv)**Unsought Products**:-Unsought products are consumer products that the consumer either does not knows about or does not normally think of buying.

Classification of FMCG goods

Staple goods : these are purchased on regular basis.
Impulse goods : these are purchased without planning
Emergency goods : these are purchased immediately to fill an urgent need.

Other classification of consumer goods

Brown goods : brown in colour and include electronic items like T. V, CD players etc.
White goods : white in colour and includes refrigerator, ACs etc.
Red goods : FMCG goods that are consumed and replaced at a rapid rate.
Orange goods :in these consumers change at a moderate rate, either because of obsolescence or changing fashion.
Yellow goods : these are purchased infrequently.

02. Industrial goods : It is meant for use in the production of other goods or for some business or institutional purposes. Industrial goods are classified into four- production facilities and equipment, production materials, production supplies and management materials.

Product line

The broad product groups within the product mix are called product lines. It refers to a group of closely related products or product items that are physically similar.

Product line modification

Product line is altered or modified through the following methods

- **Product line contraction** : this refers to reducing the product items. This may be done for eliminating the production of unprofitable items.
- **Product line expansion** : it is the opposite of contraction. It refers to adding new product to the existing list.
- **Changing models of existing product** : change existing products due to change in fashion and preference of consumers
- **Quality variation** : the process of changing the quality falls under two heads. Trading up and trading down

Trading up : the process of introducing higher quality goods is termed as trading up.
Trading down : the process of introducing lower quality products in the place of higher quality products is termed as trading down.

Product simplification

When a company manufactures all the products of a similar nature it is called Product Simplification. In other words it means limiting the number of products a dealer deals. Sometimes it becomes necessary for a company to stop the production of unprofitable products.

Product diversification

Product diversification means adding a new product or products to the existing product mix. It is a strategy for growth and survival in the highly complex marketing environment.

Product differentiation

Product differentiation involves developing and promoting an awareness in the minds of customers that the company's products differ from the products of competitors. This is made by using trade mark, brand name, packaging, labeling etc.

Product mix

A product mix is the total list of products which a firm offers to its buyers. It is the complete list of all the products offered for sale by a firm. It is also called product portfolio.

Factors influencing product mix

- Change in demand.
- Marketing influences.
- Production efficiencies.
- Financial influence.
- Use of waste.
- Competitor's strategy.
- Profitability.

Branding

Branding means giving a name to the product by which it could become known and familiar among the public. When a brand name is registered and legalised, it becomes a *Trade mark.* All trade-marks are brands but all brands are not trade marks. Brand , brand name, brand mark, trade mark, copy right are collectively known as the language of branding.

Brand : brand is name, term, symbol, mark or design which is intended to identify goods or services to differentiate them from their competitors.

Brand name : brand name is that part of a brand that can be spoken including letters, words and numbers. It is a combination of words used to identify a product.

Brand mark : it appears in the form of symbol or design.

Trade mark : trade mark is legal term. When a brand name or brand mark is registered and legalized it becomes a trade mark.

Reasons/ objectives/ functions of branding

- Demand creation
- Make attractive
- Product identification
- Product differentiation
- Helps in advertising
- Uniformity of quality
- Goodwill

Type of brands

Manufacturer Brands: These are developed and owned by the producers, who are usually involved with distribution, promotion and pricing decisions for the brands.

Dealer Brands: These are brands initiated and owned by wholesalers or retailers.

Generic Brands: It indicates only the product category and do not includes the company name or other identifying terms.

Family Brands: A single brand name for the whole line closely related items.

Individual Brands: Each product has a special brand name.

Co-Brands: It uses two individual brands on a single product.

Licensed Brands: It involves licensing of trade marks. For example, P&G licensed its camay brand of soap in India to Godrej for a few years.

Advantages or importance of branding

Advantages to manufactures :

- It helps in maintaining individuality for the product
- Enable to popularize the product
- Creates goodwill
- Market expenses can be reduced
- It helps in Creating demand for the product
- It facilitate introduction of new products
- It facilitate brand loyalty.

Advantages to consumers

- It helps in evaluating the quality of products
- It helps in preventing adulteration
- Protection of goods
- Uniform standard
- Helps in easy buying

Advantages to distributors

- Reduces selling efforts
- Helps in advertising and sales promotion
- Stability of prices
- Helps to identify fast moving goods

Limitations of branding

- Expensive
- Difficult to build up brand reputation
- It is not substitute for quality
- It promotes unfair competition
- Leads to brand monopoly

Brand loyalty

It simply means loyalty of a buyer towards a particular brand. Wilkie defined loyalty as, " A favourable attitude and consistent purchase of a particular brand." For example, If a customer has a brand loyalty towards 'Pears', he will buy and use only that soap. There are three levels of Brand Loyalty.

1) **Brand Recognition:** This means that people are familiar with the product and they are likely to buy it.

2) **Brand Preference:** At this level people adopt the product- that is, they habitually buy it if it is available.

3) **Brand Insistence:** It is the stage at which people will not accept any substitute.

Brand equity

It simply refers to value associated with a brand. It is the Marketing and financial value associated with a brand's strength in a market.

The product life cycle

Products often go through a *life cycle.* Initially, a product is introduced. Since the product is not well known and is usually expensive, sales are usually limited. Eventually, however, many products reach a *growth* phase— sales increase dramatically. More firms enter with their models of the product. Frequently, unfortunately, the product will reach a *maturity* stage where little growth will be seen. Some products may also reach a *decline* stage, usually because the product category is being replaced by something better. The following are stages of product life cycle

Introduction: This is the first stage in product life cycle. After testing, a product enters the introduction stage and the product will then become available in the market. During this stage sales are low. Unfortunately costs are high. So the profits are also low. Sometimes company shall incur a loss.

Growth : during this stage, more customers begin to buy the product. This is because customers who purchased during the introduction stage are purchasing again and have recommended the product to others. Sales will begin to grow and the company, which has been incurring losses, begins to make profit. At this stage, competition may enter the market.

Maturity: This stage has the longest duration. In the maturity stage, the demand for the product reaches a saturation point. Competition becomes severe. During this stage, firms introduce new model or adapt new techniques etc. the number of buyers will continue to grow but slowly. In the initial period of this stage, profit increases and reach its maximum. Later on, the profit will start falling. In the later part of this stage, there is no growth of sales. Competition becomes more tough. The stock becomes larger and profit decline further.

Product Decline Stage: At this stage, sales began to fall. There may be a little or no profit. The production cost and inventory cost become larger. At this stage competition becomes severe. Customers go for newer and better products due to technological development, change in taste etc. Therefore, sales start declining. This stage will lead to gradual phasing out of the product.

New product development

New product development tends to happen in stages. Although firms often go back and forth between these idealized stages, the following sequence is illustrative of the development of a new product:

Generating product ideas : the first stage of the new product evolution begins with the idea for the product. Ideas may generate from various sources.

Screening of ideas : after generating the product idea the next step is screening of these ideas. Many of the ideas generated for new product will not be suitable for a company. Therefore, the ideas collected are scrutinized and evaluated to eliminate unsuitable ideas.

Concept development and testing : the product idea should be converted into product concept. A concept is a detailed overview of the idea. It is a meaningful expression of the product in the light of consumers' needs.

Business analysis : at this stage finally selected ideas is analyzed to determine the desirable market features of the product and its feasibility. The product ideas is evaluated to determine the potential contribution to the firm's sales, cost and profits. It involves projection of future demand, financial requirements, cost estimates and profits.

Product development : the process of product development includes four stages (i) developing models (ii) testing consumers' preference (iii) taking decision about brand (iv) deciding the packaging. Now the idea is converted into a product that is producible. It is during this stage that all development of product, from idea to final physical form, take place.

Market testing : after the product development, the marketer will have to test the reactions of dealers and customers and using the product and the size of the market.

Commercialization : commercialization of product means large scale production and distribution of product. In this stage the product is submitted to the market. Now the product starts its life cycle.

Packaging

Packing means putting article into small packets, boxes or bottles for sale to ultimate consumers to facilitate transportation, storage etc.

Functions of packaging

- Protection
- Convenience
- Promotion
- Identification
- Helps in branding
- Information

Advantages of packaging

- Protects form damages
- Promotes products
- Facilitate storage and transportation
- Helps in branding
- Enhance goodwill
- Act as a silent salesman
- Easy display
- Convenient handling
- Less possibility of adulteration
- Identification

Labelling

Labelling gives verbal information about the product and the seller. It serves to identify a brand. Thus the purpose of labeling is to give the consumer information about the product he is buying and what it will not do for him. It is the display of important information on a product package.

Kinds of labels

There are four kinds of labels:

1) **Brand Label**: It gives the brand name or mark. For example, Britannia Biscuits,

2) **Grade Label**: It gives grade or quality of the product by a number, letter or words. For example, A grade, B grade.

3) **Descriptive Label**: It gives details of product, its functions, price, warnings etc.

4) **Information Label:** It contains fuller instructions on the use and care of the product.

Marketing myopia

It has been introduced by Theodore Levitt. One of the main reasons for the failure of large business enterprises is that they do not actually know what kind of business they are doing. This narrow minded view of Marketing is called Marketing Myopia. Marketers suffer from marketing myopia when they view their business as providing goods and services rather than as meeting customers' needs and wants.

PRICE

Meaning of price.

Price is the money value of the goods and services. In other words, it is the exchange value of a product or service in terms of money. To the seller, price is a source of revenue. To the buyer, price is the sacrifice of purchasing power.

Factors governing prices and pricing decision.

Factors governing prices may be divided into external factors and internal factors.

Internal Factors:

These are the factors which are within the control of the organization. Various internal factors are as follows.

1. **Cost:** The price must cover the cost of production including materials, labour, overhead, administrative and selling expenses and a reasonable profit.
2. **Objectives**: While fixing the price, the firm‟s objectives are to be taken into consideration.
3. **Organizational factors:** Organizational mechanism is to be taken into consideration while deciding the price.
4. **Marketing Mix:** Other element of marketing mix, product, place, promotion, pace and politics are influencing factors for pricing. Since these are interconnected, change in one element will influence the other.
5. **Product differentiation**: One of the objectives of product differentiation is to charge higher prices.
6. **Product life cycle:** At various stages in the Product Life Cycle, various strategic pricing decisions are to be adopted, eg. In the introduction stage. Usually firm charges lower price and in growth stage charges maximum price.

External Factors.

These factors are beyond the control of organization. The following are the main external factors.

1. **Demand:** If the demand for a product is Inelastic it is better to fix a higher price and if demand is elastic, lower price may be fixed.
2. **Competition:** Number of substitutes available in the market and the extent of competition and the price of competition etc. are to be considered while fixing a firm price.
3. **Distribution channels:** Conflicting interest of manufacturers and middleman is one of the of the important factor that affect the pricing decision. Manufacturer would desire that middleman should sell the product at a minimum mark up.
4. **General economic conditions**: During inflation a firm forced to fix a higher price and in deflation forced to reduce the price.
5. **Government Policy:** While taking pricing decision, a firm has to take into consideration the taxation policy, trade policies etc. of the Government.

Pricing Policies.

Price must not be too high or too low. Price setting is a complex problem. The pricing decision is critical not only in the beginning but it must be reviewed and reformulated from time to time. Price policies provide the guidelines within which pricing strategy is formulated and implemented. It represents the general frame work within which pricing decision are taken.

Steps in formulating pricing policies

- Studying target market
- Selecting pricing objective
- Determining demand
- Estimating costs
- Analyzing prices of competitors
- Selecting the pricing method
- Setting the final price

Types of pricing policies

There are many ways to price a product. Let's have a look at some of them and try to understand the best policy/strategy in various situations.

Cost Based Pricing Policies: Setting price on the basis of the total cost per unit.There are four methods as follows:

1. **Cost Plus Pricing-** cost plus a percentage of profit
2. **Target Pricing-** cost plus a pre determined target rate of return
3. **Marginal Cost Pricing-** fixed plus variable costs

4. **Break-Even Pricing-** at break-even point i.e, where total sales=total cost{no profit, no loss point}

Demand Based Pricing Policies:

1. **Premium Pricing**-Use a high price where there is a uniqueness about the product or service. This approach is used where a substantial competitive advantage exists. Such high prices are charged for
2. **Differential Pricing**-Same product is sold at different prices to different consumers.

Competition Based Pricing Policies:

1. **Going Rate Pricing**-Many businesses feel that lowering prices to be more competitive can
be disastrous for them (and often very true!) and so instead, they settle for a price that is close to their competitors.
2. **Customary Pricing-** Prices for certain commodities get fixed because they have prevailed
over a long period of time.
3. **Sealed Bid Pricing**-Firms have to quote less price than that of competitors. Tenders , winning contracts etc.

Value Based Pricing Policies: It is based on value to the customer.

1. **Perceived- Value Pricing:** This is the method of judging demand on the basis of value perceived by the consumer in the product. This method is concerned with setting the price on the basis of value perceived by the buyer of the product rather than the seller's cost.
2. **Value Of Money Pricing:** Price is based on the value which the consumers get from the product they buy. It is used as a competitive marketing strategy.

Marketing strategies based on PLC

The life cycle of a product is generally divided into six stages. (i) – introduction (ii)- Growth (iii) – maturity (iv) – saturation (v) – decline (vi) Abandonment.

Pricing strategy in the introduction stage : the following are the different strategies at this stage.

- **Rapid skimming strategy** : this is the strategy of fixing a high price with high promotional expenses. This is done to earn more profits, develop the brand image and convince the buyers about the superior features of the product.
- **Slow skimming strategy** : under this strategy fixing a high initial price with promotional expenses. This is done to earn profit by keeping low marketing expenses.
- **Rapid penetration strategy** : this is the strategy of fixing a low price with high promotional expenses. This is done when market is large, competition is severe.
- **Slow penetration strategy** : this is the strategy of fixing a low price with low promotional expenses.

Pricing strategy in the growth stage :

- **Improving the quality of the product** : this is done to attract more people.
- **Entering new market** : in order to widen the market, the firm will have to enter new markets.
- **Changing the channel of distribution** : for promoting sales, the company may start its own retail outlets or appoint middleman.
- **Changing the prices**

Pricing strategy in the maturity and saturation stage :

Under this condition the marketer will have to consider the pricing strategy of competitors before making any change in the price. At the maturity and saturation stage, marketer may raise prices through product improvement or product differentiation. During this stage the marketer may try to improve sales through changing one or more elements of the marketing mix like price, distribution, promotion alternatives according to the situation.

Pricing strategy during decline and abandonment stage :

At this stage the firm should adopt break even pricing so that it may continue its production activities. If possible, price discrimination should also be adopted.

Pricing strategies

Pricing strategy is a policy determined to face a specific situation and is of temporary nature. Simply pricing policies provide guidelines to carry out pricing strategy. Following are the important pricing strategies.

Psychological pricing: Here manufacturers fix their prices of a product in the manner that it may create an impression in the mind of consumers that the prices are low. E.g. Prices of Bata shoe as Rs.99.99. This is also called odd pricing.

Geographical pricing : it is practice of charging different prices for the same product to customers in different geographical location.

Base point pricing : under this method, the seller designates a city as a base point and charges all customers the freight cost form that base point to the place of customer.

Zone pricing : under this method, the company sets up two or more zones. The co. charges the same price for all customers within a zone.

Dual pricing : when manufactures sells the same product at two different prices , it is called dual pricing.

Mark up pricing. This method of pricing is followed by wholesalers and retailers. When the goods are received, the retailers add a certain percentage of the wholesaler's price.

Administered pricing: Here the pricing is done on the basis of managerial decisions and not on the basis of cost, demand, competition etc.

Product line pricing : product line pricing refers to the determination of prices of individual products and finding the proper relationship among the price of members of a product group.

Captive product pricing : this method is adopted by those companies which make products that must be used along with the main product, the producers fix low price for their main product and high prices for the captive products.

Price bundling : under this strategy, a group of products is sold as a bundle at a price lower than the total of the individual price.

Price adjustment strategies

Discount pricing and allowances :many companies adjust their basic price to reward customers by way of discounts and other allowances for certain responses such as early payment, volume purchases and off-season buying.

Discriminatory pricing : firms often adjust their basic prices to allow for differences in customers, products and locations. Discriminatory pricing takes the following forms.

- **Customer- segment pricing** : different customers pay different prices for the same product.
- **Product form pricing** : this means different versions of the product are priced.
- **Location pricing** : location pricing means different location are priced differently.
- **Time pricing** : this means prices vary by the season, the month or the day.

Psychological pricing : prices determined after taking into consideration the psychology of consumer is called psychological pricing.

Promotional pricing : under this pricing, firms fix prices below the cost in order to promote the company and its marketing.

Value pricing : more and more firms have adopted value pricing strategies offering just the right combination of quality and good service at a fair price.

International pricing : firms that market their products internationally must decide what prices to charge in the different countries in which they operate.

Steps in pricing strategy

- Selecting target markets
- Studying consumer behavior
- Identifying competition

- Assigning price
- Relating cost and demand
- Determining strategic prices.

PHYSICAL DISTRIBUTION

Meaning and Definition distribution

Distribution refers to bringing the product to the market and giving it to the final consumer.

Elements of distribution mix

- **Channels of distribution** : it includes agent, middlemen, wholesaler, retailer etc. they gather information, place orders provide storage, assume risk etc.
- **Warehousing** : the storage function helps to provide the products to consumers timely. This function is performed by warehouses.
- **Transportation** : transportation is the physical means whereby goods are transferred from place of production to the place of distribution.
- **Inventory** : inventory decision making involves knowing when to order and how much to order.

Components of distribution system

(i) Physical distribution (ii) – channel of distribution

Physical distribution : physical distribution is a broad range of activities concerned with efficient movement of finished goods from the end of the production line to the consumer. In the words of AMA "physical distribution is moving of finished products from one end of a production line to consumers".

Channel of distribution: The word "channel" is derived from the French word "canal". Canal means an artificial path way used for transportation and irrigation. In the field of marketing, means the path or network through which the products are made available to the consumers.

According to Phillip Kotler,"It is a set of independent organizations involved in the process of making a product or service available for use or consumption.".

Functions/role/importance of physical distribution system

- Information gathering
- Consumer motivation
- Placing orders
- Price bargaining
- Financing
- Risk bearing
- Inventory management
- Services
- Marketing research
- Demand forecasting

Levels of channel

This indicates the number of intermediaries between the manufactures and consumers. Mainly there are four channel levels. They are:

1. **Zero level channel**:- Here the goods move directly from producer to consumer. That is, no intermediary is involved. This channel is preferred by manufactures of industrial and consumer durable goods.
2. **One level channel**: In this case there will be one sales intermediary ie, retailer. This is the most common channel in case of consumer durable such as textiles, shoes, ready garments etc.
3. **Two level channel**: This channel option has two intermediaries, namely wholesaler and retailer. The companies producing consumer non durable items use this level.
4. **Three level channel**: This contains three intermediaries. Here goods moves from manufacture to agent to wholesalers to retailers to consumers. It is the longest indirect channel option that a company has.

Factors determining the length of the channel:

The following factors will determine the length of the channel of distribution.

- Nature of product
- Nature of market
- Buying habit of consumers
- Company's strength
- Middlemen
- Cost of channel

- Competition
- Marketing environment

Types of intermediaries

Marketing intermediaries are the individuals and the organizations that perform various functions to connect the producers with the end users. These middlemen are classified into three

1. **Merchant middlemen**, who take title to the goods and services and resell them.
2. **Agent middlemen,** who do not take title to the goods and services but help in identifying potential customers and even help in negotiation.
3. **Facilitators,** to facilitate the flow of goods and services from the producer to the consumer, without taking a title to them. Eg. Transport companies

Merchant middlemen

Merchant middlemen are those who take title to the goods and channelize the goods from previous step to the next step with a view to making profit. They buy and sell goods in their own risk and the price for their effort is profit. They act as an intermediaries between producers and consumers. These merchant middlemen are broadly classified into wholesalers and retailers.

Wholesalers:

Wholesaler is a trader who deals in large quantity. He purchases goods from the producers in bulk quantity and sell it to the retailers in small quantity. According to American Management Association, " wholesalers sells to retailers or other merchants and/or individual, institutional and commercial users but they do not sell in significant amounts to ultimate consumers."

Functions of wholesalers

1. **Assembling and buying**: It means bringing together stocks of different manufactures producing same line of goods, and making purchases in case of seasonal goods.
2. **Warehousing**: The warehousing function of the wholesalers relieves both the producers and the retailers from the problem of storage.
3. **Transporting**: In the process of assembling and warehousing, the wholesaler do undertake transportation of goods form producers to their warehouse and back to retailers
4. **Financing**: They grant credit on liberal terms to retailers and taking early delivery of stock from the manufacturers to reduce their financial burden.
5. **Risk bearing:** Wholesaler bear the risk of loss of change in price, deterioration of quality, pilferage, theft. Fire etc.
6. **Grading**, Packing and packaging: By grading they sort out the stocks in terms of different size, quality shape and so on.
7. **Dispersing and selling:** Dispersing the goods already stored with them to the retailers.
8. **Market information**: Finally providing the market information to the manufactures

Services of wholesalers:

A. Services to Manufacturers:

1. The wholesaler helps the manufacture to get the benefit of economies of large scale production.
2. Wholesalers helps the manufactures to save his time and trouble by collecting orders from large number of retailers on behalf of the manufactures.
3. The wholesaler provides market information to the manufactures which will helps him to make modifications in his product.
4. The wholesaler buys in large quantities and keeps the goods in his warehouses. This relieves the manufacturer the risk of storage and obsolescence.
5. The wholesales helps to maintain a steady prices for the product by buying the product when the prices are low and selling when the prices are high.
6. cash purchase from the manufactures enables him to carry on his business with less amount of capital
7. advice the manufactures

B. Services to Retailers:

1. He gives valuable advices to the retailers on his business related matters.
2. He helps the retailer to get the goods very easily and quickly.
3. He render financial assistance to the retailer by granting credit facilities.
4. The wholesalers bears the risk associated with storage and distribution of goods to a certain extend.
5. The wholesaler helps the retailers to keep price steady.
6. arrange for assembling and warehousing of goods
7. provide information

Retailers:

The term 'retail' implies sale for final consumption. A retailer is the last link between final user and the wholesaler or the manufacturer. According to Professor William Standton, "retailing includes all activities directly related to the sale of goods and services to the ultimate consumers for personal or non business use."

Functions of retailers:

1. **Buying and Assembling**:- A retailer buys goods from the best and most dependable wholesalers and assemble the goods in a single shop.
2. **Warehousing**: It helps the retailer to ensure adequate and uninterrupted supply of goods
3. **Selling**: A retailer sells the products in small quantities to the needy consumers.
4. **Risk bearing:** It is the basic responsibility of a retailer to bear the risk arising out of physical deterioration and changes in prices.
5. **Sales promotion**: Retailer undertakes some sales promotion through displaying of goods in the shop, distribution of sales literature, introduction of new product etc.
6. **Financing:** A retailer granting credit in liberal terms to the consumer and it helps the consumers a lot to purchase the required goods.
7. **Supply of market information**: As being in close and constant touch with the consumers, a retailer can supply the market related information to the wholesalers and manufactures at the earliest.
8. **Grading and Packing**: Retailers undertake second round grading and packing activities left by the manufacturers and wholesalers.

Services rendered by Retailers:

A retailer render a number of services to the manufacturers, wholesalers and to the final users. These services are outlined below:-

A. Services to the manufacturers and wholesalers:

(1). **Providing information**: Retailer do provide the wholesalers and manufactures the information about the latest consumer movements and it helps the manufactures to produce goods according to the needs of consumers.

(2**) Looks after the distribution process**: A retailer, in general, looks after the entire distribution process and it helps the manufactures to concentrate on production.

(3)**Creation of demand**: By giving local ad and display of goods, retailers helps to create demand for the goods.

(4)**A big relief**: A retailer gives a relief to the manufacturers and wholesalers from the problem of selling goods in small quantities.

B. Services to the consumers:

(1)**No need to store goods**: A retailer holds goods on behalf of the customers at a convenient place and in convenient lot. Hence, the consumer need not buy and stock in large quantity.

(2**)Largest choice**: Retailers collects products of different manufactures and it enables the consumers to have a largest choice at cost, quality and so on.

(3) **Providing information**: A retailer supplies information about the introduction of a new product in the market and its features.

(4)**Granting credit**: Most of the retailers granting credit facilities to regular customers.

(5) **After sale services**: In certain cases a

retailer provides after sales services to the ultimate consumers to ensure the customers shop loyalty.

Types of retailing

The retailers can be classified in to itinerant retailers and fixed shop retailers

Itinerant retailer : itinerant retailers are those who have no fixed place of business. These include

- **Hawkers and pedlars:** This type of retailers do not have any fixed place of business. They carry goods from one place to another. They keep on moving from locality to locality.
- **Market traders**: These retailers open their shops on fixed days or dates in specified areas. The time interval may be week, or a month.
- **Street vendors**: They are the retailers who display their stock on foot paths or the side walks of the busy street.
- **Cheap-jacks**: Cheap jacks is retailer who has fixed place of business in a locality but goes on changing his place to exploit the market opportunities.

Fixed shop retailers

The fixed shop retailers can be classified in to Small scale retailers and large scale retailers:

Small Scale Retailers: It includes

- Independent retailers
- Street stall holders
- Secondhand goods sellers
- Specialty shops

Large scale retailers: It includes

(a)**Departmental stores**: A departmental stores carries several product line, invariably all that is required by a typical house hold. It includes food, clothing, appliances, other house hold goods, furnishings and gifts etc. It is a central location and a unified control.

(b)**Multiple shops**: it is a form of branch retailing, where a large number of branches are functioning in different localities under the direct control of the head office.

(c)**Mail order houses**: Orders are received from customers through post and the goods are also sold through post. The transaction is settled through postal medium.

(d)**Consumer co-operatives**: These are the stores owned by a group of consumers themselves on cooperative principles. Here the store purchasing in bulk quantity and sells it to the consumers at a reasonable price. It is formed to eliminate the exploitation of middlemen.

(e)**Super bazars**: This is a large, low cost, low margin, high volume, self-service operation designed to serve customer's need for food laundry and house hold products.

Modern types of retail stores

It includes

1. **General merchandize retail stores**
   - Super markets – large self service retail store
   - Hyper markets – larger than super market
   - Discount stores – products are sold at discount
2. **Specialty stores**
   - Specialty retail stores – provide high level of customer service
   - Off-price retailers – purchase second goods and sells it for low price
   - Category killers – dominate single product line.
3. **Shopping malls** : a mall means large building complex with number of shops of various sizes and types. it deals with several bases and product category.
4. **Destination stores** : this is a retail outlet with a trading area much larger than that of a competitor with a less unique appeal to customers.
5. **Retail chain** : a retail chain operates multiple retail outlets under common ownership in different cities and towns.
6. **Mom and pop stores** : these are owned and managed by individuals and their families.
7. **E-tailors** : these are those retailers who sells through internet.

Non-store retailing : it includes direct selling, direct marketing and telemarketing

Direct selling : it refers to sale of products to ultimate consumers through face- to – face sales presentation at home or work place. It is traditionally called door to door selling.

Direct marketing : direct marketing brings the market directly into the home or office of an individual buyer instead of the buyer having to go to the market. Direct marketing is that it is any activity which creates and exploits a direct relationship between the seller and the customer.

Forms of direct marketing

- **Catalogue marketing** : catalogue marketing involves selling through catalogues mailed to selected customers
- **Direct response marketing** : this occurs when a retailer advertises a product and makes it available through mail or telephone orders.
- **Television home shopping :** consumers can purchase products through TV advertising by which they provide order placing details.
- **Kiosk marketing** : it simply refers to marketing through kiosk. Kiosk are information and ordering machines placed in stores other locations. These machines provide information about products and customers can order any product or item.

Advantages of direct marketing

Advantages to consumers

- Convenience
- Savings in time
- Choice
- Product information

Advantages to sellers

- Reduction in operating cost
- Consumer information
- Privacy
- Evaluation of messages
- Customer relationship

Disadvantages of direct marketing

- Competing with existing intermediaries
- Cost
- Intrusive by consumers
- No chance to exam products
- Lack of personal touch

Telemarketing : telemarketing uses telecommunications to reach prospective consumers. Here , instead of being face to face with a customer, the interaction occurs over the telephones and other telecommunication media.

Recent trends in channel of distribution

- **Vertical marketing system** : it comprises the producer, wholesaler and retailer acting as a unified system.
- **Horizontal marketing system** : here two or more businesses, which are unrelated, put together their efforts to exploit an emerging marketing opportunity.
- **Third party delivery** : in this case a specialized agency which specializes in delivery of goods takes the delivery of goods.
- **Multi-channel marketing system :**
- **Multi – level marketing (MLM)** : multi-level marketing is a system of selling goods directly to customers through a network of self-employed sales people.

MODULE IV PROMOTION

Meaning and Definition.

Promotion is a term taken from Latin word promovere . It means 'move towards'. In marketing, promotion means all those tools that a marketer uses to take his product from the factory to the customer and hence it involves advertising, sales promotion, personal selling, and public relation

In the words of Masson and Ruth, "Promotion consists of those activities that are designed to bring a company's goods or services to the favorable attention of customers".

Importance of Promotion:

It may be studied in the following heads:-

1. **Business Importance**:- Now a days, it is very necessary to communicate information regarding quality, features, price uses etc. of the product to the present and potential customers. Then only the consumers will select the product from a wide range of competing products. Most modern

institutions cannot survive in the long run without performing promotion function effectively.

2. **Economic importance**: In economic sense, it helps to generate employment opportunities to thousands of people. As a result of promotion sales will increase and it brings economies in the production process and it reduces the per unit cost of product.

3. **Social importance**: Promotion has become an important factor in the campaign to achieve some socially oriented objectives. For eg. Ad against smoking, drinking etc. It also helpful to provide informative and educational service to the society

4. **Importance to non business organizations**: The non business organizations like govt. agencies, religious institutions, educational institutions etc also realized the importance of promotion and they are using the various elements of promotion mix very widely.

Promotion mix

Firms select a mix of promotional tools to effectively communicate with their target customer group. The different **elements** of this group are:

1. Advertising :
2. Public relations
3. Sales Promotion
4. Direct Marketing
5. internet and online marketing
6. Personal selling

Factors affecting promotion mix

- Nature of the product
- Nature of the market
- Stages in the product life cycle
- Market penetration
- Market size
- Attitude of buyers
- Distribution strategy
- Price strategy
- Cost of promotion
- Availability of funds

Advertising

Advertising is a paid form of non-personal communication that is transmitted through mass media such as TV, radio, newspapers, magazines etc.

American Marketing Association defined it as, "Any paid form of non –personal presentation of ideas, goods, or services by an identified sponsor."

In the words of Albert Lasker," Advertising is salesmanship in print, driven by a reason why?".

Features of Advertising:

1. It is a mass communication medium.
2. It is a salesmanship in print.
3. It is a paid form of communication by an identified sponsor.
4. It is a non personal communication.
5. It helps to stimulate sales.
6. It may be visual, written or spoken.

Functions of advertising :

1). To introduce product into a market
2). To create attraction among consumers
3). To induce consumers to purchase the product
4). To create demand for the product
5). To capture market share
6). To raise standard of living of people
7). Communication of information
8). Create brand loyalty

Role/ advantages /importance of advertising

1. Advantages to Manufactures:

a. It maintains the existing market and explores the new.
b. It increases the demand for the product
c. It helps to build up or increase goodwill of the company.
d. It controls product price.
e. It helps to introduce a new product into the market .

2. Advantages to Middlemen:

a. It guarantees quick sales
b. It acts as a salesman.
c. It increases the prestige of the dealers.
d. It makes retail price maintenance possible.
e. It enables the dealers have a product information.

3. Advantages to salesmen

a. It creates a colourful background for a salesmen to begin his work.
b. It reduces his burden of job.
c. It helps to develop self confidence.

4. Advantages to consumers:

a. It ensures better quality product at reasonable price.
b. It provides product related information to the customers.
c. It helps the consumers to save time by providing information related to the availability of product.
d. Helps the consumers in intelligent buying.

5. Advantages to society:

a. It helps to increase the living standards
b. It provides employment opportunities.
c. It provides new knowledge.
d. It up-holds the culture of a nation.

Types of advertisement

- **Product advertising** : it focuses on a particular product or brand.

Primary advertisement : for a new product
Selective or competitive advertising : to cover competition
Reminder advertisement : existing products

- **Institutional advertising** : when the advertisement is to create an image or reputation of the firm, it is called institutional advertising.
- **Advocacy advertising** : it is intended to promote a company's view or philosophy on an issue with the ultimate goal of influencing public opinion.
- **Comparative advertising** : this type of advertisement stresses on comparative features of two or more specific brands
- **Reinforcement advertising** : it assures current users that they have made the right brand choice and tells them how to get the most satisfaction from that brand
- **Shortage advertising** : when there is short supply of product, shortage advertisement is used.
- **Co-operative advertising** : when manufacturers, wholesalers and retailers jointly sponsor and share the expenditure on advertising it is called co-operative
- Advertising
- **Commercial advertising** : this is concerned with selling products or ideas to increase the sales volume.
- **Non - commercial advertising** : this is used by non-profit organizations
- **Surrogate advertising** : in this type one product is substituted for another.

Advertising campaign

An advertising campaign is a series of related advertisements focusing on a common theme, slogan, and set of advertising appeals. It is a specific advertising efforts for a particular product that extend for a defined period of time.

Steps in advertising campaign

- Market analysis
- Determination advertising objectives
- Determination of advertising budget
- Selecting advertising media
- Deciding the ad message
- Evaluating ad effectiveness

The advertising copy

Ad Copy is the soul of any advertisement. An advertisement copy is all the written or spoken matter in an advertisement expressed in words or sentences and figures designed to convey the desired messages to the target consumers.

Elements of ad copy

- Heading
- Sub heading
- Body copy
- Pictures
- Brand name
- Slogans
- Closing idea

Unique selling proposition(USP)

Advertising should make a proposition or promise which makes that product worth buying and is different from what is offered by others in the same category. This proposition or promise is known as USP. In fact, the ad appeal selected for the ad campaign becomes the USP.

Advertising media

In simple words, an ad medium is the carrier or vehicle of advertising message. It is the means or ways or channels to convey the ad message to the public.

Factors governing the selection of ad media

- The nature of product
- Advertising objectives
- Market potential
- Business size
- Message to be sent
- Competition
- Availability of media
- Cost of ad

Recent trends in advertising media

Rapid growth : advertising in India is growing rapidly. Many firms are increasing the ad budget. With the increase in the ad expenditure, advertising in India is getting more professionalized.

Sponsorships : it has become quite common for large organizations to sponsor at event or programme over the T.V and gets publicity mileage out of it.

Stars and sports heroes in celebrity ad : hero worship is in India blood. It is an integral part of Indian advertising. Nothing sells more than stars and successful cricket players.

Featuring children : children are important in the ad world as they bring the family into focus, which is very important in the Indian psychic.

Quiz or contest : the advent of satellite T.V channels such as star, metro etc. has thrown open the possibilities of brand promotion through the quizzes and contests. These can be telecast at a small percentage of normal promotional cost.

Advertising wars : since 1991, we have seen rush ads each pitted against its rival competitor.

Religious symbol as ad themes : advertisers mix religious symbols and business in their ad campaigns.

Regional copy : those days are gone when the advertising industry was obsessed with English as a primary language for writing ad copies. Now advertising agencies look for copywriters in regional languages also.

Increasing online advertising : now a days in India, the scope of online advertising is rapidly increased.

Return of radio and FM channels : the fortunes of radio advertising have changed with the advent of private players like star India, Mid Day etc. the quality if radio advertising has substantially improved.

Mobile SMS advertising : this is a new tools in advertising and direct marketing.

Branded content : branded content is a mix of ad and entertainment. It can be delivered through films, TV programmes, music albums or stage plays.

Tryvertising : tryvertising is the new and aggressive method of using the trial of a product or a services as the ultimate form of persuading advertising.

Sales promotion

Sales promotion simply means the tools and techniques to promote sales. In short it includes all those activities which are directed towards promoting sales.

According to Roger A Strang " sales promotion is short term incentive to encourage purchase or sale of a product or service".

Role/advantages of sales promotion

1. advantages to Manufacturers

(i) It helps to retains the existing customers
(ii) It helps to create new customers.
(iii) It promote sales
(iv) It helps to enhance the goodwill of the firm
(v) It helps to slashes down the cost
(vi) It helps to face the competition.
(vii) create demand for the products

2. advantages to Middlemen:

(i) it helps in selling the product
(ii) It helps to increase the sales of middlemen
(iii) It enhance the goodwill of middlemen
(iv) It helps in increasing the profits of

Middlemen
(v) simplifies the work of middlemen

3. advantages to Consumers:
(i) It helps to improve the standard of living of people
(ii) It gives knowledge of new products available in the market.
(iii) It gives both cash and non cash incentives.
(iv) It gives information relating to new uses
(v) source of education

Disadvantages of sales promotion.
1. short term activity
2. It is only a supplementary device of personal selling and advertising
3. In most of the cases, too much sales promotion may damage the brand image.
4. Sales promotion techniques are non-recurring in their nature.
5. customers expects sales promotions all the time.

Difference between advertisement and sales promotion

Advertising	Sales promotion
Aims at attracting the ultimate consumers	Aims at attracting not only consumers but also middlemen and sales employees
Attempt to create brand image	Attempt to get quick sale
Appeals are emotional	Appeals are rational
Effective in the long run	Effective in the short run
Indirect approach	Direct approach
Part of sales promotion	Includes advertising
It uses pull strategy	It uses push strategy

Kinds of sales promotion/ tools

The sales promotion tools can be seen from the angle of consumers, dealers and sales force.

Consumer Promotion: The broad objective of consumer promotion is to create pull for the brand and it includes-

(a). Samples: While introducing a new product, giving samples to the customers at their doorstep.
(b). coupons : these are offering a stated amount of reduction on the purchase of a specific product.
(c) **Rebates**: Simply it is a price reduction after the purchase and not at the retail shop.
(d) **Money refund offer**: Here, if the customer is satisfied with the product, a part or whole of the money will be refunded.
(e) **Price packs:** In this method the customer is offered a reduction from the printed price of product.
(f) **Premium offer**: Here goods are offered at a lower price or free as an incentive to purchase a special product.

- Direct premium
- A reusable container
- Free in mail premium self-liquidating premium
- Trading stamps

(g). **buy back allowances** : this is an allowance following a previous trade deal. The allowance is in the form of a certain amount of money for new purchases based on the quantity of previous purchase.
(h) free trials : this consist of inviting buyers to try the product without cost hoping that the buyer will buy the product.
(i) . prizes : prizes are offers of the chance to win cash, trips or goods as a result of purchasing something.
(j). demonstration : in order to promote new brand, demonstration are arranged in stores at fairs and exhibitions.
(k) **Consumer contests**: Various competitions are organized among the customers. The winners are given prizes.
(l). sweepstakes : the customers are given coupons bearing numbers when they make purchases within a specified period & winners are decided through drawing by lots.
(m). buy one and get one free
(n). exhibitions and trade fairs

2. Dealer promotion/Trade promotion: Trade promotion objectives are to motivate market intermediaries to invest in the brand and aggressively push sales. It includes

(a) **Price deals**: Under this method, special discounts are offered over and above the regular discounts.

(b) **Free goods**: Here, the manufactures give attractive and useful articles as presents to the dealers when they buy a certain quantity.

(c) **Ad Materials**: In this case, the manufacturer distributes some ad materials for display purpose.

(d) **Trade allowance:** It includes buying allowance, promotional allowance and slotting allowance.

(e). specialty advertising : gifts given to the dealers. The gifts consist low items bearing company's name such as pens, diaries etc.

(f) **Dealer contests**: It is a competition organized among dealers or salesmen.

(g) **Trade shows**: Trade shows are used to familiarize a new product to the customers.

3. Sales force promotion: It includes

(a) **Sales force contests**: Sales contests are declared to stimulate the sales force increase their selling interest.

(b) **Bonus to sales force**: Bonus is the extra incentive payment made for those who cross the sales quota set for a specific period.

(c) **Sales meeting conventions and conferences**: Sales meeting and conferences are conducted with a view to educate, train and inspire the salesmen.

Personal selling

Personal selling is direct communication between a sales representative and one or more prospective buyer in an attempt to influence each other in a purchase situation. It is the process of contacting the prospective buyers personally and persuading them to buy the products.

According to American Marketing Association," Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales".

Features of personal selling

1. It is one of the important tools for increasing sales.
2. It is a two way communication between salesmen and the prospect.
3. It is a persuading process to buy the goods and services.
4. The objective of personal selling is to protect the interest of both seller and buyer.
5. The essence of personal selling is interpretation of product and service features in terms of benefit and advantages.

Difference between advertising and personal selling

Advertising	Personal selling
Impersonal	Personal
Directed at mass audience	Directed at the individual
Less effective	More effective
Pull effect	Push effect
One way communication	Two way communication
Inflexible	Flexible
Printed salesmanship	Oral advertising

Salesmanship

In the words of Garfield Blakde, "Salesmanship consists of winning the buyers confidence for the seller's house and goods, thereby winning the regular and permanent customer."

Public relation

Public relation is asset of communication efforts used to create and maintain favourable relationships between organization and its public. It involves the total process of maintaining good relations with the public and improve the image of the firm in the eyes of the public.

According to UK Institute of Public relation, " It is the deliberately planned and sustained efforts to establish and maintain mutual understanding between the organisation and its public."

Major tools of public relation (PR mix)

- **News and press release** : it create favourable news about the co. and its products.

- **Speaches** : co. executives field questions from the media or sales meeting. It also create publicity to co.
- **Special events** : to capture the attention of public companies can organize and sponsor a number of special events such as sports tournaments, music dance etc.
- **Written material** : these include brochures, articles, co. magazines etc. These communicate information about the company to the public
- **Audio- visual material** : such as film, video and audio cassettes and slides are being used as public relation tools
- **Contribution to social service activities** : companies can improve their image by contributing money and time to social service activities.
- **Exclusive stories** : in this case, the co. may invite a journalist to do an exclusive story on the firm.
- **Social networking** : social networking sites such as facebook, whatsapp, you tube etc. can be used for creating image for the company and its product.

MODULE V RURAL MARKETING

Meaning of Rural Market

Rural market simply means markets in rural areas. Rural market consists of small farmers, primary producers etc and village people (ie. Buyers). A majority of the rural markets are small strips of land where producers and buyers meet for a few hours on an appointed day and time.

Meaning of Rural Marketing

Rural marketing simply means marketing in the rural areas. Rural marketing is a function that manages all activities in assessing, stimulating and converting the purchasing power of rural consumers in to an effective demand for goods and services and moving these to the rural people to create satisfaction and better standard of living and thereby achieving organizational goals.

salient features of rural marketing

1. Consumer: The people living in rural areas are traditional and innocent by nature. Their needs are simple. The literacy rate is around 36 percent of the population. Women are mostly illiterate.

2. Cultural diversity: Indian villages are truly diverse with respect to languages, religion, culture, tradition and social customs.

3. Income levels: Majority of rural people are living below the poverty line. The higher income group have a tendency to migrate to urban areas. It is therefore, obvious that rural market consists of cheaper and low quality necessaries of life.

4. **It is vast and scattered market**. India's rural market is vast and scattered. The total road length in the rural areas was about 2650 thousand kms. Railways also have developed in the rural areas.

5. **Seasonal demand:** Farmers receive the income during harvest. Most of the purchases are made during this season.

6. **Market structure:** Rural market consists of private sole traders, co-operatives, fair price shops, and itinerant traders like hawkers, peddlers, cheap jacks etc. and weekly markets.

7. **Infrastructural facilities:** Even after more than 60 years of independence the transport and communication systems have not developed in rural areas. Most roads are dusty and useless during rainy seasons. There is lack of storage facilities in most of the villages.

8. **Traditional Life:** Life in rural areas is still governed by old customs and superstitions. People do not easily adapt to new practices and products.

9. **Buying decisions:** Rural consumers are cautious in buying anything. Decisions are made slowly and often delayed for months together.

Attractiveness of rural marketing

- Growth of population
- Increasing literacy rate
- Rising prosperity of people

- Growth in consumption
- Changing life styles
- Less expensive
- Higher market growth rate

Drawbacks or problems of rural marketing

- Lack of infrastructural facilities
- Lack of proper communication facilities
- Scattered or dispersed markets
- Distribution problem
- Inadequate banking facilities
- Many languages
- Low per capita income
- Small quantity of purchase
- Low level of literacy
- Seasonal demand
- Problem in segmentation

Difference between rural marketing and urban marketing

Urban marketing	**Rural marketing**
Consumers prefer to buy high quality goods	Prefer to buy moderate quality products
Charge medium and higher prices	Charge medium and low prices
Goods are sold in large packets	Sold in small packets
Segmentation is easy	Segmentation is difficult
Positioning is easy	Positioning is difficult
Product availability is high	Limited product availability
Concentrated in towns	Concentrated in villages
Income level is higher	Income level is lower than urban area
Literacy level is higher	Literacy level is lower
Consumers have high level needs	Have low level needs

Marketing mix planning for rural markets

Rural marketing strategy involves three stages. They are (i) – planning stage (ii) – execution and implementation stage (iii) – the feedback stage

(i). **Planning stage** : planning stage is subdivided in to five sub stages as follows:

- Profiling the rural markets
- Profiling the rural customers
- Studying consumer behavior and marketing research
- Segmentation, targeting and positioning
- **Marketing mix planning** : rural marketing requires a separate marketing mix planning distinct from urban marketing. All marketing mix elements such as product, price, place and promotion, must suit to rural markets

  Rural Product : the product has to satisfy rural needs. It must be affordable. The type of product that a rural consumer intends to buy depends on his attitude towards it and the cost of benefit analysis done by him before buying it.

  Rural Price : most of the rural consumers are from low income and middle income groups. They are price sensitive. The marketer has to examine methods by which he can make the product more affordable to the rural consumers.

  Rural Distribution : distribution becomes a crucial problem in rural marketing. The rural distribution chain require a number of levels compared to the urban marketing.

  Rural Promotion : in planning the rural promotion strategy, greater care should be taken. A co. should plan a judicious mix of both traditional and modern media. A good media mix is very important to create an impact on rural minds.

(ii). **Implementation stage**

(iii). Feedback stage

SERVICE MARKETING

Meaning and Definition of Service

A service is intangible product involving a deed, a performance or an effort that cannot be physically possessed. Services are usually provided through the application of a human or mechanical efforts directed at people.

According to Ivanovic "service is the work of dealing with customers, or payment for this work. Services are benefits which are sold to customers or clients such as transport and education"

Characteristics of Services

1) Intangibility:
2) Perishability
3) Lack of ownership
4) Inseparability
5) Variability
6) Word-of-Mouth

Difference between goods and services

Goods	Services
A good is an object, a device, a thing	Service is a deed, a performance, an effort
Tangible	Intangible
Carried and stored	Cannot be carried and stored
Generally non perishable	Perishable
Standardized	Difficult to standardize
Quality of products can be measured and controlled	Difficult to measure the quality of services
Goods can be replaced	Cannot be replaced
Have a resale value	Have no resale value
Goods can be displayed	Services cannot

Marketing mix of service

- **Product** :product refers to the service offered. In service marketing product mix places great emphasis on the quality.
- **Price** : while setting the price, competitive practices are to be taken in to account
- **Place** : services are to be located so as to be convenient to the buyers.
- **Promotion** : direct mailers, advertisement, personal selling, sales promotion plays an important role in service marketing.
- **People** : many services are people based.
- **Physical evidence** : physical evidence has to play an important role in service marketing. Result of service must be shown physically.
- **Process** : process is the method by which the service is provided.
- **Professionalization** : while providing service, the firm must show professionalism.
- **Productivity :** the service delivery process should be productive

Service Marketing vs Product marketing

The following are the important differences:

1. In product marketing, the marketer markets a tangible thing. But in service marketing a marketer markets an intangible thing or object.
2. In product marketing the customer can evaluate the product before purchasing. He can try on a jean before buying it. But how does a person evaluate a hair cut before the service is performed?
3. A service cannot be advertised effectively. Because a service cannot be pictured in an advertisement or displayed in a store. In product marketing there is no such problem.
4. Determining the cost of producing and delivering a product is much easier than for a service.
5. In service marketing services are produced and consumed simultaneously. Products can be purchased and stored at home. This is not possible with service.
6. Since the production and consumption of service is simultaneous, unused service capacity cannot be stored for future time. Thus marketers face difficulty in balancing supply and demand of services. Product marketers handle the supply demand through production scheduling and inventory techniques.
7. Standardization is possible in product

marketing, while it is not possible inservice marketing.

RECENT ISSUES AND TYPES OF MARKETING

Innovations in marketing

- **De marketing:** de marketing is opposite to marketing concept. It refers to marketing strategies under conditions of scarcity and during the period of shortage.
- **Meta marketing** : meta marketing is an attempt to widen the horizon of marketing by covering no-business organizations like schools, hospitals etc. its main concern is to focus all scientific, social , ethical and managerial experience on marketing.
- **Mass marketing** : under this strategy, the marketer does mass production, mass distribution and mass promotion of only one product for all the buyers.
- **Mega marketing** : it is a strategy of entering in to a blocked country and practices marketing by using economic, psychological, political skills and gaining the co-operation of several parties in that country.
- **Reciprocal marketing** : it occurs when a company approaches another company for selling its products
- **Event marketing** : the objective of event marketing is to convert any event anything that has mass appeal in to a marketing tool.
- **Morph marketing** : morph marketing means transforming products into services, re-writing the core benefits of brands, and delivering undreamt of value to the consumer.
- **Guerilla marketing :**
- **Word of mouth marketing :**
- **Viral marketing** : viral marketing is the internet version of word of mouth marketing through e-mail. It refers to the strategy of getting customers to sell a product on behalf of the company that creates it. In viral marketing information is passed from one person to another.
- **Frequency marketing** : frequency marketing involves targeting heavy users/bulk purchases and offering them special benefits and privileges.
- **One-on-one marketing** : under one-on-one marketing , every customer is treated as unique.
- **Partnership marketing** : this involves two or more organizations working together in a way that involves co-branding, alliances, joint promotions, joint ventures etc.
- **Re-branding** : when a product remains essentially the same but is given a new name, it is called re-branding.
- **Product churning** : launching a range of products in the hope that some products will click well and the belief that only some of them will click well is called product churning.
- **Galilatias marketing** :this is the marketing to babies in the womb.
- **Database marketing** : this is the use of specific information about individual customers and or prospects to implement more effective and efficient marketing communications.

Green Marketing

Green marketing simply refers to marketing of green or eco-friendly products. It defined as developing eco-friendly products and their packages to control the negative effects on environment.

Difference between traditional marketing and green marketing

Traditional marketing	Green marketing
Short term oriented	Long term oriented
Anthropocentric	Bio centric
no ecological costs	Involve ecological costs
Limited product risk	More product risk
Focus on industrial functions	Focus on industrial processes
Focus on tangible goods	Product as well as services

Social Marketing

Social marketing simply means the use of commercial marketing techniques to promote the adoption of a behavior that will improve the wellbeing of society as a whole. Social marketing is the application of marketing theories and techniques to social problems.

Elements of social marketing

- Customer orientation
- Behavioural focus
- The notion of exchange
- Competition
- Long term planning

Social marketing mix

- **Product** : social product may be tangible products, practices or ideas
- **Price** : mostly social product is distributed free of cost
- **Distribution**
- **Promotion**
- **Publics** : it refers to both internal and external groups involved in the programme
- **Partnership** : a team of organizations in the community must involve in the programme
- **Policy** : policy change is required for a successful social marketing.

Difference between commercial marketing and social marketing

Commercial marketing	Social marketing
Profit oriented	Social welfare
Targeted at people with purchasing power	Targeted at poorest or less educated people
Involvement of product identity	Product identity is not possible
Products are often immediately satisfying	Social products are less satisfying immediately.
Applied by business firms	Applied by NGOs

Social responsibilities of marketing

- Be honest in serving consumers, clients, employees, suppliers etc.
- Provide safe and quality products to customers
- Avoid misleading advertisements
- Avoid manipulated sales promotions
- Avoid exploitation against customers
- Obey laws, rules and regulations
- Conduct business ethically
- Use the resources effectively
- Protect environment
- Avoid unhealthy competition
- Contribute to improve the quality of life.
- Avoid unfair trade practices

Relationship marketing

It is a building a whole network of relationship with parties that are keys to the success of a co. they include customers, suppliers, employees, recruiting agencies etc. thus relationship marketing means establishing and maintaining long term satisfying relations with both internal and external customers as well as suppliers.

Difference between transactional marketing and relationship marketing

Transactional marketing	Relationship marketing
Oriented towards single sale	Oriented towards repeat sale
Limited direct contact between supplier and customer	Close contact with customers
Focus on product benefits	Focus on value to customers
Emphasis on short term performance	Emphasis on long term performance
Limited level of customer service	High level of customer service
Aims is customer satisfaction	Aims at customer delight

Niche Marketing

A niche market is a focused, targetable portion of a market. Niche Marketing is all about finding a smaller segment of a market and creating a product or a service for that market. In general a niche is a very targeted and focused market. One of the most effective niche market strategies involves starting small.

Recent trends in marketing

- More leisure time
- Changing role of women
- Growth of service
- Social emphasis
- Non-business marketing
- More and more competition
- E-marketing
- Quality concern
- Retaining customers
- Concentrating in rural markets
- Customer delight
- Discount shopping
- Seducing the customers
- Robot marketing
- Brand movement
- Herbal world

MODULE VI ELECTRONIC MARKETING

E-marketing simply means marketing through electronic devices such as computer, internet, TV and digital medium such as e-mail, web and wireless media and so on. It is the process of communicating, promoting and selling products and services through electronic devices. In e-marketing the producers, intermediaries and consumers interact electronically or digitally.

Feature of E-marketing

- Internet and digital presence
- Integrate online and offline activities
- Extension of direct marketing
- Transaction cost are less
- Highly interactive in nature
- Personalization is possible
- Keep close to customers

Scope of E-marketing

- **Internet marketing :** it simply means achieving marketing objectives through applying internet technologies. It also known as online marketing, cyber marketing or virtual marketing.
- **Digital marketing** : it simply refers to achieving marketing objectives through applying digital technologies such as websites, e-mail etc.
- **Search engine marketing** : search engine marketing continually identifies what words customers need to use when searching for products and services.
- **Email marketing** : it simply refers to sending e-mail to customers and prospects by an organization with a view to promote its products and services.
- **Teleshopping** : in Tele-shopping, the TV viewers can see a show where products are demonstrated by a 'host'. The consumers get details and they can purchase products by placing order through media like telephone.
- **E-branding** : simply means using electronic channels to support brands.
- **Viral marketing** : it simply refers to word of mouth marketing through electronic channels like e-mail, internet etc. it is the internet version of word of mouth marketing through e-mail.
- **E-advertising** : advertising on the electronic media is known as E-advertising.

Importance of E-marketing :

- Reach
- Scope
- Interacting
- Immediate impact
- Demographics and targeting

Advantages of E-marketing

- Lower transaction costs
- Immediate response
- Customer relationship
- Personalization
- Easy to analyze effectiveness
- Effective targeting

Disadvantages of E-marketing

- Misleading information
- Less interaction between buyers and sellers
- High set up and maintenance costs
- Customer privacy

E-marketing Tools

- **Opt-in-e-mail** : in opt-in-e-mail, the customer is contacted only when he or she has explicitly asked for information to be sent.
- **Mobile phones** : now we have 3 G phones which are faster and can also video, take photos and offering internet facilities.
- **Interactive TV (I-TV) :** interactive TV offers similar e-commerce facilities.
- **I- radio :** it means logging on to a web radio station and leaving it to play as you work. In fact, once you log on to a station it accompanies you wherever you go on the net, so you can carry on listening wherever you go online.
- **I-kiosk** : they are compact and robust. They can be placed virtually anywhere that attracts passing football of target customers.

Traditional marketing *vs* e- marketing

Traditional marketing	E-marketing
Marketing through traditional devices	Marketing through electronic devices such as internet, email etc.
Limited interaction with customers	High degree of interaction with customers
Transaction costs are high	Transaction cost is low
Cost of collecting marketing information is high	Cost of collecting marketing information is low
Same message is sent to each customer	Different message is sent to each customer
Customer is a target	Customer is a partner
Based on segmentation	Based on communities
There is a physical market	Virtual market place
Payment is made in cash	Payment is made in e-cash

Internet marketing

Internet marketing simply means achieving marketing objectives through applying internet technologies. Internet marketing is defined as the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products and services. It also known as online marketing, cyber marketing or virtual marketing.

Advantages of internet marketing

- More freedom to customers
- More information to customers
- Speedy customization
- Extension of customer database
- Flexible prices
- Shorter distribution channels
- Inexpensive and timely marketing research
- High speed interaction
- Convenience in process
- Lower cost of operation
- Relationship building
- Quick adjustments

Limitation of internet marketing

- There are certain products, which cannot be digitalized
- No touch and feel experience to customers
- Service back up
- Problems related with returning products, payment etc.
- Number of rules and regulations
- Chance for misusing customer information

New trends in internet marketing

- **Growth** :more & more companies are adopting internet marketing now.
- Business to business segment : popular in B2B segment
- **Advergaming** : it is the use of online computer games for advertising
- **Digital media** : these are channels of communication that join the logic of multimedia format with the electronic system capabilities and controls of

- modern communications
- **Integrated marketing communication**
- **Rich media advertising** : this includes graphical animation and ads with audio and video elements that overlay the homepage.
- **Relationship marketing**
- **Mobile internet access**
- **On-line communities**

E- advertising

Advertising on the electronic media such as internet, web, e-mail etc. is known as e-advertising. Internet advertising includes web advertising, email advertising etc.

Advantages of E-advertising

- Cost are low
- Interactive
- Effectiveness can be measured
- 24 hour access
- Sits can be quickly changed and updated
- Creative
- Direct response

Limitation of E-advertising

- Problems of internet
- Unnoticed may occurred
- Number of people who view e-ads is less
- Costly for low priced items
- Not a mass medium in traditional sense

Types of internet advertising

- **Website** : some companies use their websites to promote their goods and services
- **Banners** : it is a small, graphic links placed on a web page.
- **Buttons** : these are placed anywhere on the page that are linked to button sponsors
- **Pop Ups** : when a user accesses the internet, a small window appears. Such windows are called pop ups.
- **Sponsorships** : in this case, companies sponsor entire sections of a publisher's web page or sponsor single event for a limited period of time.
- **E-mail :** some companies send ad messages to customers through e-mail.

E-branding

0e-branding simply means using electronic channels to support brands. In other words, e-branding means supporting the brand by developing an online experience of the brand.

Domain name

A domain name is a unique name that is used to identify a website. A domain name always contains two or more parts separated by a dot.

E-payment systems

Electronic Payment is a financial exchange that takes place online between buyers and sellers. It means making payment through electronic media by using credit or debit cards for the products bought electronically.

Types of E-payment system

- **Electronic fund transfer(ETF)** : this is a computer based system that facilitates the transfer of money or the processing of financial transaction between two financial institutions the same day or overnight.
- **E- money or E-cash** : it is an electronic medium for making payments and is the trend today. E-cash includes debit cards, credit cards, smart cards etc.
- **Electronic cheque** : electronic cheques are very similar to paper cheques except that they are initiated electronically. Digital signatures are used for signing and endorsing electronic cheques.
- **E-wallet** : it operates like a carrier of e-cash and information in the same way a real world wallet functions such as carrying real cash and various IDs.
- **Electronic token based E-payment system :** electronic token is a digital analogue of various forms of payment backed by a bank or financial institution. It is a unit of digit currency that is in a standard electronic format. Electronic tokens are of three types :
    - **Cash or real time** : transactions are settled with the exchange of electronic currency

- **Debit or prepaid** : users pay in advance for the privilege of getting information
- **Credit or post paid** : the server authenticates the customers and verifies with the bank that funds are adequate before purchase.

E-payment media

- Credit cards
- Debit cards
- Smart cards

Security features in internet

Security fear are a major barrier to internet adoption, by both businesses and consumers. The customer may lose the amount, if the credit card issuer does not cover them.

Security risks in internet

The business organization need to acquire technology solutions to overcome the risks of Internet based transaction. The following are the major risks faced in Internet based transactions.

1) **Spoofing:** It involves someone masquerading as someone else.

2) **Unauthorized disclosure**: Hackers can catch the transmissions to obtain customers sensitive information.

3) **Unauthorized action**: Altering a website so that it refuses service to potential clients.

4) **Eavesdropping**: The private content of a transaction if unprotected can be intercepted, when it goes through the route over the internet.

5) **Data alteration**: The content of a transaction may be altered either maliciously or accidently.

6) **Phishing:** It is a specialized form of online identity theft. It means obtaining personal details online through sites and e-mails masquerading as legitimate business.

Areas of security risks

The areas that contain security risks are as follows:

1) **Business practices:** The retailer may disappear with the money without sending the goods. This is a risk for the customer.

2) **Information privacy practices;** Sometimes the website owner do not keep the privacy of sensitive information of customer.

3) **Transaction integrity**: Electronic transactions and documents may get lost, changed, duplicated or incorrectly processed. Dispute may arise regarding terms of transactions or billing issues.

4) **Information protection**: The people behind website should take appropriate steps to protect customer information in connection to disruption, destruction, disaster and unauthorized access.

5) **Consumer recourse**: They are concerned about how their rights are protected.

Security tools

The following methods can be used for managing the risks in Internet marketing;

Anti-Virus Programme: It scans the computer for signatures of a virus. Good anti-virus will find viruses that have not yet infected your PC and eliminate the ones that have.

Integrity Checking Software: It should be installed on the server to face many threats. The integrity checker will run at regular intervals to ascertain whether data have been changed by a hacker.

Audit Logs: The audit logs along with the firewall logs are examined on a semi-regular basis with the aim of detection of abnormal activity. It will be used to identify the source of some hacking attempts or denial of service attacks.

Firewalls: It can be used to minimize the risk of security breaches and viruses. It is a software mounted on a separate server at the point the company is connected to the internet.

Backups: In order to protect the data in the system we take backups of all critical files on the web server. Hardware and software can be used for backups.

Encryption: It is a process that conceals meaning by changing messages into unintelligible messages. It is the scrambling of information into a form that cannot be readable. There are two main methods as

follows:
Symmetric encryption: Both parties have identical key that is known only to them. It is used to encrypt and decrypt messages.
Asymmetric encryption: A pair of keys namely a ***public*** key(known to everyone)
and private key (known only to the owner). One key is used to encrypt and the other to decrypt messages.

Digital Signature: It is used not only to verify the authenticity of the message and claimed identity of the sender but also to verify message integrity. A message is encrypted by sender's private key to generate the signature and the recipient decrypts the signature using sender's public key.

Digital Certificates: It is issued by Certification Authorities to users who wish to engage in secure communication. Once sender has provided proof of identity, the Certification Authority creates a message containing sender's name and his Public key. This message is digitally signed by the Certification Authority is known as digital certificate.

Secure Sockers Layer Protocol: It enables a private link to be set up between customer and merchant. The main facility the SSL provides is security and confidentiality.

Secure Electronic Transaction: SET is a security protocol based on digital certificates. It allows parties to confirm each other's identity.

Hardware Technologies: The hardware technologies include network intrusion hardware, physical security measures and virtual private network and smart cards.

Hacking

It is a computer crime in which the criminal breaks into a computer system for exploring details of information etc. It means destroying, deleting or altering any information residing in a computer resource or diminishing its value or utility or affecting it injuriously by any means with the intent to cause wrongful loss or damage to the public or person

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