

Essentials of Marketing

Manmohan Joshi



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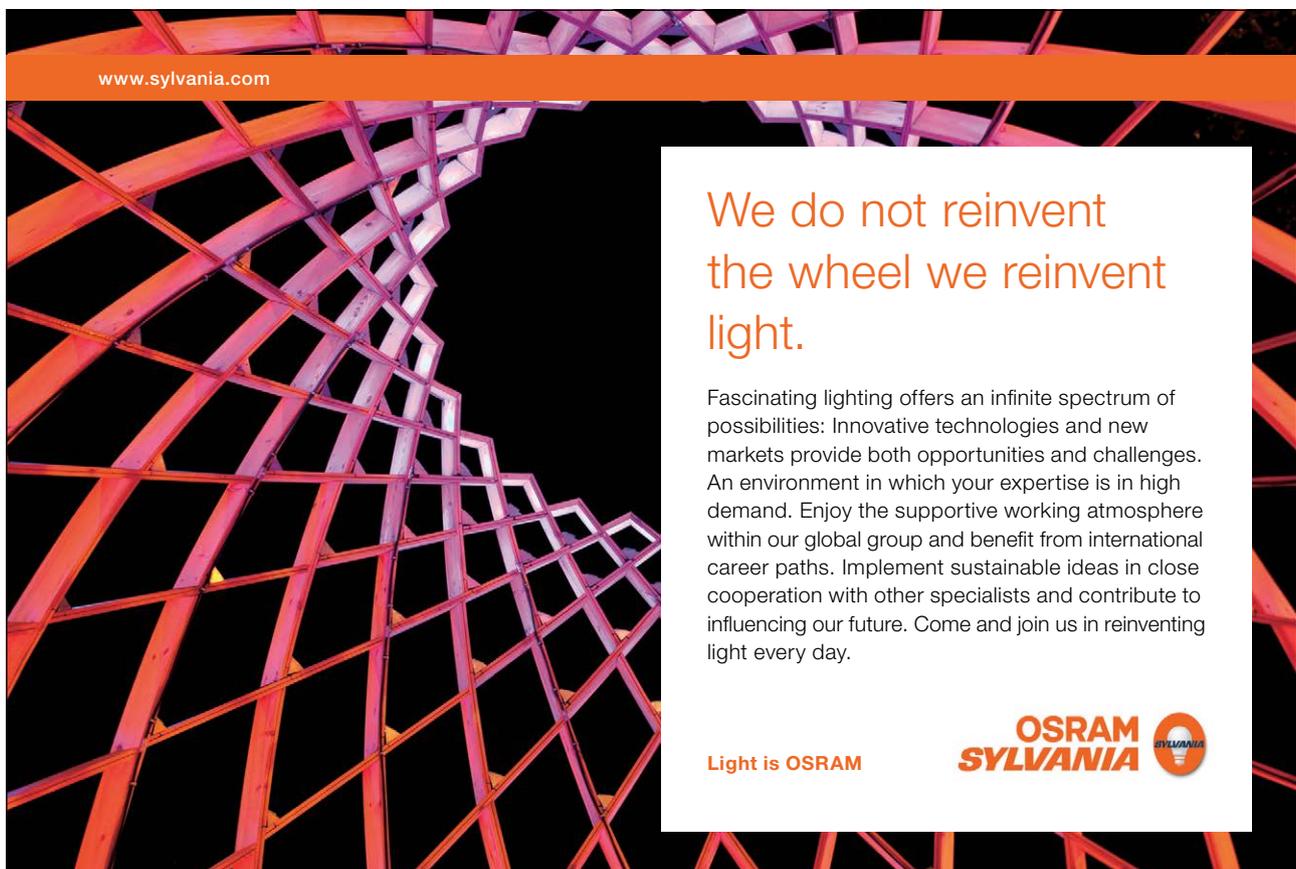
Essentials of Marketing



Essentials of Marketing
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1 Market and Marketing

1.1 Meaning of market

The common usage of market means a place where goods are bought or sold. A market need not necessarily mean a place of exchange. The word market is commonly used and may even mean or aim in any of the following:

- Market may mean a place where buying and selling take place;
- Buyers and sellers come together for transaction;
- An organization through which exchange of goods takes place;
- The act of buying and selling of goods (to satisfy human wants);
- An area of operation of commercial demand for commodities.

1.2 Marketing

Marketing is a human activity to satisfy needs and wants, through an exchange process. A demand is a want for which the consumer is prepared to pay a price. A want is anything or service the consumer desires or seeks. Wants become demands when backed by purchasing power. A need is anything the consumer feels to keep himself alive and healthy. A transaction consists of a value between two parties. The aim of marketing is to make sales in order to earn reasonable profit for the producer.

Marketing is the creation and the delivery of a standards of living; it is finding out what customers want, then planning and developing a product or service that will satisfy those wants; and then determining the best way to price, promote and distribute that product or service. The purpose of business is to create a customer by which stress is laid on two aspects: (a) identification of consumer needs, and (b) organizing the business to meet these needs. The modern concept focuses on the consumers and their satisfaction. The approach of modern marketing is consumer-oriented instead of solely product-oriented.

1.3 Objectives of Marketing

In the modern business world the objective of marketing is more than making profit. The following are the aims of marketing:

- Intelligent application of modern marketing policies;
- To develop policies and their implementation for a good result;
- To suggest solutions by studying the problems relating to marketing;
- To find sources for further information concerning the market problems;
- To strengthen existing marketing function;
- To take suitable actions as required.

1.4 Importance of Marketing to the Society

In today's society marketing plays a major role.

- It is a connecting link between the consumer and the producer. Marketing process brings new items to retail shops, from where the consumers can buy them.
- It helps in increasing the living standard of people. Because of large scale production, prices of goods come down. Thus reduction in price will result in a higher standard of living.
- It helps to increase the nation's income. Efficient system of marketing reduces the cost to the minimum, this in turn lowers the prices and the consumer's purchasing power increases. This will increase the national income.
- It increases employment opportunities. For continuous production continuous marketing is needed. Thus increased activity provides more job opportunities to many people.
- It helps in selling surplus goods to other countries where there is demand for such goods.

1.5 Merchandising

Merchandising is only product planning. It aims at the internal planning relating to products or services for marketing at the right time, at the right price and in proper colour, quality and sizes.

1.6 Selling

Selling is the need of the sellers. It is the internal aim of business. Thus it is only a part of marketing study. Marketing is much wider than selling and much more dynamic. Selling revolves around the needs and interests of the seller; marketing revolves around the needs and interests of the buyer. Selling seeks profits by 'pushing' the products on the buyers. Marketing too seeks profits, but not through 'pushing' of the products but by meeting the needs of the customers and by creating value satisfaction for them. A truly marketing-minded company tries to create value-satisfying goods and services which the consumers want to buy. What it offers for sale is determined not by the seller but by the buyer. Selling is certainly a part of marketing. That is the last function in the process of marketing.

The following table gives the difference between selling and marketing:

Selling	Marketing
1. Emphasizes product.	1. Emphasizes on consumer's wants.
2. Sales are the primary motive.	2. Satisfaction of the customer is primary.
3. First production, then selling takes place at a profit without knowing customer's needs.	3. First customer's need is known and then production takes place; then the product is sold at a profit.
4. Internal company orientation.	4. External-market orientation.
5. Company's need is the motive.	5. Buyer's need is the motive.
6. Cost determines price.	6. Consumer determines price; price determines cost.
7. 'Selling' views the customer as the last link in the business.	7. Marketing views the customer as the very purpose of the business.
8. It is an activity that converts the goods into cash.	8. It is a function that converts the consumer needs into products.

1.7 Distribution

It means the physical transfer of goods. It is one of the processes of marketing. It covers the methods to get the products to the market. It is concerned with physical movement of goods from producer to wholesaler, from wholesaler to the retailer, and from retailer to the consumers.

1.8 Goods

Goods may also be called as product.

They are:

1.8.1 **Consumer goods:** These types of goods are purchased by ultimate users or consumers for their personal use. For example, food, biscuits, toys, clothes, cars, refrigerators, electronics etc are purchased by consumers to satisfy their non-business wants. These goods may be further classified as:

- **Consumer goods:** Consumers and purchasers get commodities such as bread, soap, sugar, petrol, cold drinks, and stationery items etc at minimum effort and cost. The purchase of such goods cannot be postponed because they are daily necessities of life.
- **Shopping goods:** Before making final selection, the consumers make an enquiry as to the products' comparative prices, durability, style etc from different shops. Goods like jewelry, furniture, ready-made garments etc are more costly than convenience goods. Their need is also less when compared to the convenience goods.
- **Specialty goods:** Certain products pose special attraction to the consumers. These types of goods are of high value and are manufactured by reputed companies. For example, cars, refrigerators, fancy goods, televisions, fans, scooters, photographic equipment, stereo equipment etc.

1.8.2 **Industrial goods:** Goods which are used for production or used in producing other products are industrial goods. These types of goods are generally sold to manufacturers who in turn use them to make their own products. The industrial goods can be further classified as:

- **Raw materials:** Raw materials are the basic materials entering physically into the final products, for example, building stones, raw cotton, raw jute etc.
- **Fabricated materials:** Materials of this category will enter physically into the final products, but some type of processing is already undergone, for example, bricks, copper sheets, leather, yarn etc. As the processing is incomplete, further processing is required.
- **Component parts:** Such types of parts have already undergone some processing and more or less the parts can be called as final products. It means that the assembly of several component parts makes the final products. The components are visible in the final products, such as batteries, tyres, speedometer, spark plugs etc.
- **Installation:** Machines, buildings, equipments etc do not enter into final products and are durable for a long period. They are essential for production, for example, gas, power installation etc. They need heavy expenses for installation and sometimes decide the nature, scope and efficiency of an organization.

- **Accessories:** They are light machines or tools which are used for the operation of a business. They are not used for manufacturing a product, for example, hand-tools, cash register in retail shop, typewriters, calculators, computers, accounting machines etc.

1.9 Services

Services are tangible activities which are offered for sale as such or in connection with sale of goods, for example, consultation, banking etc.

Services may be of two types:

- **Personal:** They comprise education, communication, medical, legal services etc.
- **Business:** They comprise advising, mercantile credits, collection agencies etc.

1.10 Modern Marketing

Modern marketing covers all business activities in order to know all aspects of demand, product planning, distribution and facilitating the entire marketing process. Modern marketing gives importance to a well-coordinated marketing programme. It aims to attract the customers.

1.11 Features of Modern Marketing

- 1.11.1 **Consumer orientation:** Modern marketing recognizes that the consumer is supreme. The managerial attention is focused on the market and the consumer. Management is now concerned with consumer satisfaction and not profit or sales volume alone. Consumer has become the centre of all business decisions. Having satisfied customers is the main aim of modern marketing. It is now believed that profit can be earned only by serving the consumer's needs.
- 1.11.2 **Modern marketing begins with the customers:** Producers in earlier times had little care for the consumers. Now, production is carried on in large quantity. The manufacturer produces more than what the people need. The marketer aims to develop the market; the market becomes seller's market. Similar marketers appear in the market and there arises competition. The consumer, who comes in the last stage, accepts the goods; there is no alternative. But the situation has changed. Market has developed from national to international. Competition is the order of the day. Businessmen have started realizing that earning profit is possible only through the consumer's satisfaction. To satisfy a consumer, his needs are to be known. For this purpose, it has become necessary to know what the consumer needs. This is possible only when information is collected from the consumers. Through market research information about current consumer needs can be known. Therefore, we can say that the task of marketing starts with the consumer and ends with the consumer. Instead of trying to market what is easiest for us to make, we must find out much more about what the consumer is willing to buy.

- 1.11.3 **Modern marketing begins before production:** Earlier there was less competition and as such sales were easily made. But now this stage has changed. The consumer looks for the usefulness and acceptability of a product. As such it has become necessary to find out the needs and desires of consumers through market research. The information from the market or the consumer will decide the future of the product. Thus, product planning and development is undertaken before the actual production takes place. the pricing, distribution etc are secondary.
- 1.11.4 **Modern marketing is a guiding element:** At present competition has increased tremendously because many manufacturers produce similar goods in large quantities. The ability of the marketer depends on the ability to find a consumer and to satisfy him. People may choose one among the many similar products. They decide what product to purchase and what product not to purchase. Businessmen need to keep this in mind.

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2 Marketing System

2.1 Definition

Meaning: The marketing system means an exchange between two parties i.e. business activity. As an example for the marketing system, we take a remote village, which consists of a small market, a few traders and donkeys, camels or bullock-carts for transportation. This is a marketing system which existed earlier in villages. But gradually changes took place and the marketing task became more complex. The manufacturers and the end users have no direct contact. The new concept of marketing – consumer-oriented marketing – took shape. All these cause the appearance of middlemen. Thus the modern marketing system involves large scale production, tough competition, complex channels of distribution, communication etc.

Hence the meaning of marketing system involves:

- Business institutions engaged in marketing functions;
- The marketing environment;
- Customers served by business organizations;
- The marketing tasks performed by the system.

Briefly, we can say that:

- Producers, manufacturers etc perform one or more marketing functions. They are primarily engaged in production. They produce raw materials, semi-finished goods or services (such as banks), and are the first marketing institutions.
- Middlemen – such as retailers, transporters etc – add time, place, form and possession utility to the market. All these facilitate the flow of goods from the producer to the market.
- The ultimate consumers are those who consume the products or services.
- Industrial users are those that use the goods or services in the course of business so as to produce goods for ultimate consumers – consumer goods or industrial goods.
- The marketing system must aim at distribution, passing information about the product to the market through advertising, personal selling, display etc.

2.2 Marketing Process

Marketing is a process by means of which goods and services are exchanged. The goal of marketing is to move the products from the producer to the consumer. The flow of goods from the place of its origin to the place of distribution involves a number of activities, which is not a simple task. These activities of transfer are functions which are known as marketing process.

The marketing process involves three major activities:

2.2.1 **Collection:** This is the first process of marketing. It aims at the collection of products at a central place. It is because of:

- **Small lot output:** Agricultural produce, eggs, vegetables, dairy products such as milk, butter etc are collected at a central place from a large number of farmers. These are marketed in natural form. To make other marketing services such as grading and standardization, for the benefit of consumers, all products – rice, wheat, cotton, tea etc – are brought to a central place.
- **Assembly of parts:** Some types of manufactured products need assembly work, for example, spare parts of products. These parts are manufactured by different companies and at different places. To make the final products, collection is necessary.
- **Regular supply:** To ensure the continuous supply of products to the consumers, collection at a single point is necessary. Generally these jobs are undertaken by wholesalers, exporters, importers, agents etc.

2.2.2 **Distribution:** The goods or products, assembled at a certain place, have to be distributed to the consumers.

- Some of the products are distributed to manufacturers and the remaining goods are distributed to the final consumers through a chain of wholesalers, retailers, agents etc.
- Distribution is necessary because the buyers are not located near the manufacturer.
- The purpose of production aims at finding consumers at profitable and acceptable price. For this, a good system of distribution is necessary.

2.2.3 **Equalization:** Between the two activities i.e. collection and distribution, there is the equalization process.

- Demand and supply of goods should be balanced through storage and transportation.
- Supply should meet the demand in needed quantity and quality at the required time and place.
- Equalization aims at regular supply of goods which are produced in a particular season, but consumed throughout the year e.g. rice, wheat, fruit, vegetables. Similarly, some type of goods have only seasonal demand, but production takes place continuously, for example, rain-coats, umbrellas, sweaters, woolen socks etc. This equalization ensures regular supply.
- Transport brings equalization of supply, place-wise.
- Warehousing enables equalization of supply, time-wise.

3 Marketing Functions

Marketing involves certain activities to make the goods to start journey from the place of production to the place of consumption. The act, operation and service which are concerned with the marketing activities are called marketing functions. The marketing functions link the producer and the ultimate consumer. The functions of marketing involve a number of operations to be performed side by side. Take for example wheat; it travels from the land (farmer) to the final consumer through the functions of collection or buying, storing, grading, packing, transporting etc. Thus it involves several functions including risk-bearing and market information.

3.1 Classification:

The marketing functions are classified as under:

3.1.1 Exchange functions: Exchange brings about changes in the ownership of products.

- **Buying:** It is the first step of marketing functions. It is carried out by all marketers – manufacturers, wholesalers, retailers etc. Buying and selling both happen at the same time. For example, if I buy a thing, then there should be someone to sell the thing. That is, without selling, there is no buying. Buying may be done either directly or through middlemen.



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- **Assembling:** Assembling is concerned with the collection of goods of the same type from different sources at a place for further movement. Generally, goods are bought from several sellers. When they are to be bought from different small producers, they are to be assembled together at a central place. The main aim of assembling is to bring the products to a central place in order to distribute them either for production or consumption purposes. The job of assembling is carried out by middlemen, manufacturers etc.
- **Selling:** Selling and buying happen together. In business, the selling function is very important. The main aim of marketing is to sell the products at a profit. Sales are concerned with the activities which change the desire into demand. In the modern world, the process of selling is an important function because of large scale production, tough competition etc.

3.1.2 **Physical functions:** The next function of the marketing process is the physical supply. Physical transfer of goods from the manufacturer to the consumer takes place by means of storage and transportation

- **Storage:** Products are kept safe from the time of production to the time of consumption. Production may be during a particular season, but demand is regular. In the same way, production may be regular, but demand may be only seasonal. In both the cases, products have to be stored. Storage function is necessary in collection as well as distribution. The function is done by manufacturers, wholesalers, and professional warehouse keepers. Marketers can easily balance the supply with demand through warehousing and transportation.
- **Transportation:** Since markets are geographically separated from the production place, transportation is essential. When the distance between the production place and the consumption place increases, the importance of transport increases. The goods from a place where they are not needed are transferred to the place where they are needed.

3.1.3 **Facilitating functions:** These functions are supporting activities. But these activities contribute in carrying out other functions.

- **Financing:** Finance is needed for production as well as for marketing. Generally, there is a gap of period between the purchase of raw materials and the production of raw materials and the production of finished goods. It means that the manufacturer who invests in raw materials has to wait till the consumers pay for the finished goods. This waiting period is undertaken by financial institutions by granting loans. At every stage of buying or selling, the question of payment of price arises. The bankers – who are dealers in money – provide money on credit to the business. There are various kinds of finance needed – short term, medium term, long term etc. The sources of finance are commercial banks, finance companies etc.
- **Risk-bearing:** In business there are several risks – damage to goods, physical loss, changes in the value of goods, bad management, credit losses etc. The losses may also be on account of fire, flood, bad debts etc. In all such cases business organizations try to reduce the possibility of risks. Some risks are insurable while others are not. For example, loss on account of fire, accident etc can be insured with insurance companies. But the loss on account of fall in demand, prices, competition etc cannot be insured. Marketing plans have to keep in mind such situations.
- **Standardization:** Standard is used in providing certain basic qualities to the goods for their use. Standard is a specification. It is a 'grade' or 'category.' Standards are fixed on physical characteristics of products. The standardized products possess uniform characteristics, for example, shape, weight, size etc. After standardization several products are graded. For example, grading of fruit and other agricultural products etc is done according to their size, colour, juice content, taste etc. Standardization and grading are closely related activities. Both are important and widen the markets. It is also useful for sales by description.
- **Market information:** The success of marketing depends on correct and timely decisions. These decisions are based on market information. Modern marketing must have information of size, location, characteristics of market. The customer's wants, habits, purchasing power etc are to be considered. The strength or weakness of competitors, supply and demand is also to be taken into account. Marketing information includes all facts, estimates, opinions and other information used in making decisions, which affect the marketing of products and services.
- **Promotion:** Promotion is a wide term including advertising, personal selling, sales promotions etc. Marketing communications are essential for both sellers and buyers. Promotional programmes are needed for consumer goods and industrial goods. Effective promotion will increase the market share of manufacturers.

4 Pricing

Price is the main factor which affects the sales organization. A good price policy is of great importance to the producers, wholesalers, retailers and the consumers. If the prices are too high, only a few buyers purchase and if the prices are low, several buyers purchase. Thus market may be reduced or increased. Therefore, a sound pricing policy must be adopted to have maximum sales.

Prices play an important role in the economy. The time within which the product is sold varies. The goods, which are of perishable nature and have frequent changes of style, may not be stocked for a long time. In the case of durable goods, they can be stocked for a longer time, in the hope of getting favourable price. Holding the stock depends upon the financial resources of the farmer, middlemen, wholesaler etc, and the perishable nature of goods.

4.1 What is Price?

Price may be defined as the exchange of goods or services in terms of money. Without price there is no marketing in the society.

What you pay is the price for what you get.



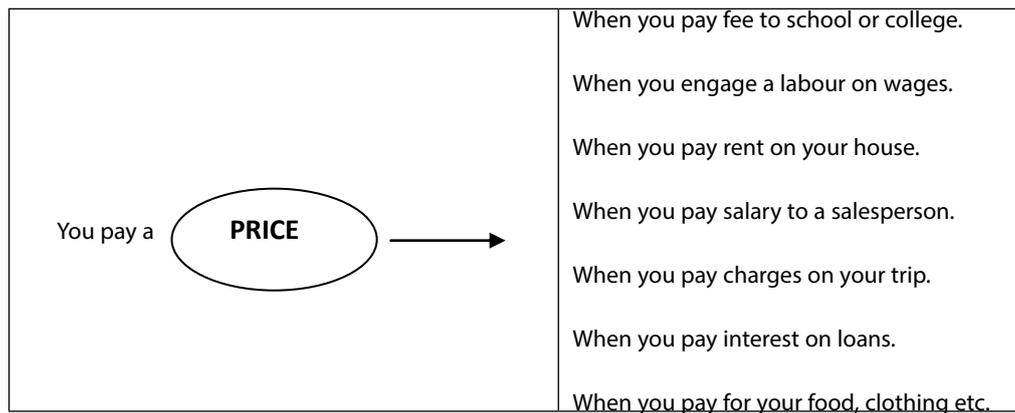
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4.1.1 Importance of Price

The market price of a product influences wages, rent, interest and profits. The price is a matter of great importance to the buyer and the seller. Exchange of the goods or services takes place only when the prices are agreed upon by the seller and the buyer. Price can decide the success or failure of a business organization. The marketing demand for a product or service to a large extent depends upon the price of the product. Price will affect the competitive position and share of the market.

4.2 Pricing Objectives

To perform the marketing job efficiently, the management has to set goals first. Before determining the price itself, the management must decide the objectives of pricing. The main goals in pricing may be classified as follows:

- 4.2.1 **Pricing for target return:** Business needs capital for various types of activities. When a businessman invests capital in a business, he calculates the probable return on his investment. A certain rate of return on investment is aimed. Then the price is fixed accordingly. The target of a business organization is fixed in terms of investment. For example, a company may set a target of 10% or 15% return on investment. This target may be for a long term or short term. Wholesalers and retailers may follow the short term, usually a year. They charge a certain percentage over and above the price at which they purchased, which is enough to meet operational costs and some profit. This target may be revised from time to time. The objective of pricing is also known as pricing for profit.

- 4.2.2 **Market share:** The target share of the market and the expected sales are the most important consideration in pricing the products. Sometimes a company may lower the prices, in comparison to the competitors' products, with the intention to increase its market share. By reducing the price customers get the benefit. The management can compare the present market share with the past market share and can know well whether the market share is going up or coming down. When the price is lowered, the profit may come down but the sales will increase as more customers may buy the product. This way the company will also not lose but rather gain ultimately.
- 4.2.3 **To meet or prevent competition:** The pricing objective may be to meet or prevent competition. While fixing the price, the price of similar products, produced by the same company, will have to be considered. At the time of introduction of new products to the market, a low price is likely to attract customers, and can establish a good market share. The low price policy discourages the competitors.
- 4.2.4 **Profit maximization:** Business is run with an idea of earning profit at the maximum. The aim should be to maximize profits on total output, rather than on every item.
- 4.2.5 **Stabilize price:** It is long term objective and aims at preventing frequent changes in price. It also prevents price war among the competitors. When the price changes often, customers start losing confidence in the product. The prices are determined in such a way that they do not fall below a particular level and also do not go up beyond a certain level. The aim is to live and let live. The companies remain satisfied with small profits during periods of short supply of products.
- 4.2.6 **Customers' ability to pay:** The prices that are charged quite often differ from person to person, according to his ability to pay. For example, several doctors charge fees for their services according to the paying ability of the patient.

4.3 Procedure for Price Determination

Every business organization follows its own policy in determining the prices of its products. However, the following steps may generally be followed:

- 4.3.1 **Determining demand for the product:** The marketer has to make an estimate for his product. Each price that the company might charge will lead to a different level of demand. There is a relation between the price charged and the resulting demand i.e. normally higher the price, lower the demand. First it is to be determined whether there is a price which the market expects, and second, to estimate the sales volume at different prices. Comparison of the prices of rival products is a good guide in pricing products. In certain cases, the marketer conducts regular survey of buyers, retailers, and wholesalers etc to determine the expected price.

- 4.3.2 **Predict and analyze the competitive reaction:** The competitors can influence the price. To predict the reactions of the competitors, it is necessary to collect information about their product, cost, market share etc.
- 4.3.3 **Establish expected market share:** A marketer must decide the share of the market at the expected price. Low priced products may get larger share of the market, and a high priced product may get a small share of the market. Share of the market is also decided by such factors such as present production capacity, cost of plant extension etc.
- 4.3.4 **Select pricing strategy:** One strategy is to charge high initial price of the product, at the time of introduction of the product in the market. Manufacturers aim at profit maximization in the shortest period, when market conditions are also favourable. The price is brought down when competitors enter the market. The other strategy is to keep a low introductory price to get a large market share. Here the aim is to catch the major portion of the market.

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- 4.3.5 **Consider company's marketing policies:** For durable products – such as car, radio, clothes etc – prices need not be reduced. But when the fashion changes, the marketer may compel the wholesalers to sell out the stocks before they go out of fashion. Systems of distribution of products also influence a manufacturer's price. A company may sell directly to wholesalers and retailers without any middlemen. Thus it can offer lower price as the likely cost on account of middlemen comes down.
- 4.3.6 **Setting the price:** After studying and analyzing the above factors different companies may decide the prices of their products. They may also revise their prices from time to time keeping in mind the demand and market share for their products.

4.4 Price Leader

All the marketers should decide, whether as a result of policy, they will initiate or follow price changes. The company initiating price changes is called price leader and those following it, price followers.

Factors affecting price

Price moves up: reasons	Price moves down: reasons
1. There is more demand but less supply.	1. There is more supply but less demand.
2. There are weak competitors.	2. There are strong competitors.
3. Sellers hold up goods for higher price.	3. Sellers push out goods.
4. There is increase in wages but not in productivity.	4. Wages are stable and productivity rises.
5. Factors of production are used inefficiently.	5. Factors of production are used efficiently.
6. Buyers are eager to buy.	6. Buyers are not eager to buy.
7. Goods are non-perishable by nature.	7. Goods are perishable by nature.

4.5 One price or Variable Price

Generally marketers prefer to sell at one price basis i.e. offering all similar buyers the same price. This is a fair trade practice, and there is no bargaining. Under variable price, the seller sells similar quantities at different prices. Under this policy the price is usually set as a result of bargaining.

4.6 Resale Price Maintenance

Resale price is a price at which a retailer sells the products to his buyers. Resale price maintenance is a policy where manufacturers want to control the prices at which retailers will resell the manufacturers' product. Manufacturers adopt this as marketing policy, identify their product by brand, patent, trade mark etc, and place restrictions and control on the price at which the product will be sold by the retailers. The price will be fixed, printed on the product, and the product will be sold at not more than the maximum price printed. The manufacturer must see that the price is maintained till his products reach the ultimate consumer. This policy prevents unhealthy price competition and bargaining.

5 Branding and Packaging

5.1 Branding

When a manufacturer wants to introduce a new product to the market, he wants to identify his product with an attractive name – Brand name. The buyers identify the product and differentiate it from those of competitors. Now, almost all products are branded and packaged attractively. The basic purpose of branding is to fix the identity of the producer of a given product.

5.1.1 What is a Brand?

- **Brand:** A brand is a name, term, sign, symbol or design or a combination of them by which the buyers can identify the goods or services of one seller or group of sellers and differentiate them from those of competitors.
- **Brand name:** That part of a brand which can be spoken, for example, Sony TV, Toyota car, Nike shoes etc.
- **Brand mark:** That part of a brand which can be recognized but cannot be spoken, such as a symbol, design, colouring or lettering.



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- **Branding:** It is a process by which a product is branded. It is the practice of giving a particular name to a product or group of products of one seller. Branding is the process of finding and fixing the means of identification. In other words, naming a product, like naming a baby, is known as branding. Parents have children and manufacturers too have children i.e. products. Thus branding is a marketing process by which a product is named i.e. branded.

5.1.2 Reasons for Branding

- It is useful for sales promotion in the market where there is tough competition.
- It makes advertisement and publicity easy.
- It creates interest in consumers for the product.
- Sales can be increased through brands.
- It gets the immediate attention of buyers.
- It differentiates the goods of a producer from the goods of competitors.
- It ensures standard quality and satisfaction to buyers.

5.1.3 Features of a good Brand

- Brand should suggest something about the product – purpose, quality, benefit, use, action etc, for example, Compaq Laptop, Nokia Mobile.
- It should be simple, short and easy to pronounce and remember, for example, Lux, Pepsi.
- It should be easy to advertise and identify.
- It should be of a permanent nature.
- It should be clear and attractive.
- It must have a pleasing sound to the ear.
- It must be original.
- It should not be offensive.
- It should create a good image.

5.1.4 Advantages to the Producer

- Brand enables a company to build reputation.
- It makes it easy for introduction of new products, in a simple process.
- It distinguishes products from rival companies.
- It is essential for sales promotion and building a demand.
- It increases the markets, through demand creation.
- It helps in reducing advertising cost.
- It brings repeated sales.
- It reduces the need for price comparison.

5.1.5 Advantages to Wholesalers/Retailers

- They require less time to get sold.
- Branded products are less risky.
- There is a constant demand for branded products.
- Branding helps in advertising and display programmes.
- Branding reduces the price comparisons.

5.1.6 Advantages to the Consumer

- Brand differentiates the products of different producers.
- Consumer gets quality goods.
- Several people get satisfaction on certain brands which are in great popularity.
- It ensures standard of the product.

5.2 Packaging

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Packaging means wrapping of goods before they are transported or stored or delivered to a consumer. Packaging is a part of the packing function of marketing. It is one among the activities of designing and producing the container or wrapper for a product. The wrapper or the container is called package.

5.2.1 Packaging as a Marketing Tool

The following are the factors which influence the growth of packaging as a marketing tool:

- **Self-service:** A number of products are sold through the supermarkets on a self-service basis. Thus they are packed and kept ready for sale. Packages attract attention, telling product features, create overall impression and win consumers' confidence. So good packaging is a must.
- **Consumer interest:** Consumers are willing to pay a little more for convenience, appearance and dependability of better packages.
- **Company and brand image:** To provide special attraction, there must be a good brand and package.

5.2.2 Functions of Packaging

- **Product protection:** Package protects the products. Their journey from manufacturer to consumer is made easy. Package prevents breakage, chemical change, insect attack etc.
- **Product containers:** Package means using just the space in which a product will be contained. Ordinary packing is in the form of throw-away containers.
- **Product attractiveness:** The size and shape of the package, its colour, printed matter on it etc must make the package attractive to look at. Generally consumers feel that a good package contains good quality product.
- **Product identification:** Packages differentiate similar products. Packaging and labeling are closely related to branding. Package has a great importance when the product cannot be seen by the buyer – packed milk, fruit juice etc. Buyers depend on the package label in understanding the product in the package. An attractive label is a means of success in marketing.
- **Effective sales tool:** A good package is more likely to increase sales. An attractive package invites customers. Packaging has another value as a large number of people buy the products for their containers.

6 The Promotional Programme

Promotion refers to the activities to push forward or to advance an idea, in such a way as to gain its approval and acceptance. Promotion is telling and selling. Product planning, pricing and distribution are marketing activities that are performed mainly within the company or between the company and its marketing 'partners.' Sales are the life-blood of business. Tough competition has increased the importance of sales promotion efforts on the part of the producers. Thus, sales promotion means all the steps that are taken for the purpose of increasing sales. Promotional activity in marketing is basically an exercise in communication. Communication is very essential. For example, we have the best products with good package, fair price etc. The products cannot be sold to consumers unless they know about it. People must know that the right products are available at the right place and at the right price. This is the job of promotion in marketing.

6.1 Forms of Promotion

6.1.1 **Personal selling:** It is the most important, the most effective and the most costly form of promotion. It is the best means of oral or face-to-face or direct communication. Personal presentation influences sales positively.

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- 6.1.2 **Advertising:** It is an impersonal method of communication as well as an impersonal salesmanship for mass selling and it is a means of mass communication. Advertising is also an important form of promotion and it costs less than personal selling.
- 6.1.3 **Sales promotion:** The marketing activities other than advertising, publicity and personal selling are known as sales promotion. It serves as a bridge between selling and advertising. It is an aggressive method of selling.
- 6.1.4 **Publicity:** It increases demand for a product or service or a business unit by making publicity through radio, television or stage.
- 6.1.5 **Public relation:** It is a form of promotion. It creates, develops and maintains a good image of an organization on the public. Thus the goodwill of the seller increases and it leads to good selling and promotes the sale of goods. When there is heavy competition, this method is very effective.
- 6.1.6 **Point of purchase display:** It is the silent salesperson that attracts the buyers' attention to the product and makes them decide to buy. Promotion at the point of purchase is very effective. Proper display of products is done by manufacturers or distributors. It varies widely. Automobile showroom with promotional literature and pricing information helps the buyers to test the products. Display serves to examine the product and make buying decision. With the combination of personal selling and advertising, display gives the maximum effectiveness.
- 6.1.7 **Packaging:** It differentiates and protects a product. It plays two important promotional roles. First, it calls the attention of the customer to the product in retail stores. Secondly, it carries the selling messages and other information to make buying decision. Package provides product protection, ease of handling, selling ability, convenience and information. It attracts the customers.
- 6.1.8 **Direct mail:** Newspaper advertisement reaches millions of people, while direct mail is sent to the selected customers. It will attract the customers to buy the goods. It gives information directly. It supports other forms of promotion. It helps the product awareness or acceptance.
- 6.1.9 **Other forms of promotion:** Sampling is a form of special promotion. Sampling of new food products, and other consumer products, especially sample medicines to doctors is done to introduce the new products to the consumers. Giving coupons is another form of promotion. Coupon offers a price reduction or raffle draws to increase the sale of new (or even old) products.

7 Sales Promotion

Sales promotion methods aim to attract the customers and increase the sales volume. They aim at creating demand. A manufacturer must make the customers know about the product and he must influence them to buy that product.

Sales promotion is the connecting link between personal selling and advertising. It is an important and specialized function of marketing.

7.1 Importance of Sales Promotion

In recent years, the importance of sales promotion has increased. This is due to the changes in the marketing environment. It is also due to the thinking of new ideas for creating a favourable condition for selling and promoting future sales. It is a part of marketing strategy. For a new product or new brand, sales promotion is very important. Sales promotion methods inform, remind or encourage the buyers at the point of purchase. A good sales promotional programme will remove the consumer's dissatisfaction with respect to retail selling. Sales promotion increases as a result of the growing use of self-service and other sales methods.

7.2 Objectives of Sales Promotion

The main objectives of sales promotion are:

- To increase buying interest at the customers' level;
- To increase the sales efforts of dealers and sales personnel;
- To attract new customers;
- To inform the public about the new product and its specialties, attraction and advantages;
- To get the major share of the market;
- To create a good impression about the product;
- To meet the competition of other companies;
- To effect off-season sales to increase sales;
- To encourage the demand by popularizing the products;
- To establish and maintain communication with large markets;
- To keep the memory about product alive;
- To create additional talking points to sales personnel;
- To create brand image;
- To remove customers' dissatisfaction;
- To bridge the gap between advertising and personal selling.

7.3 Kinds of Sales Promotion

Sales promotion can be divided into three kinds:

- Consumer sales promotion
- Dealer sales promotion
- Sales force promotion

7.3.1 Consumer sales promotion: Activities aimed at reaching the consumer at his home or in his office may be called consumer sales promotion. It is aimed to inform or educate the consumers and to encourage them to buy certain products. Consumer sales promotion increases the use of the product by the consumers, and attracts new customers. The following are the various sales promotion schemes at the consumers' level:

- **Sampling:** Free samples are given to consumers to increase their interest in the product. They are also given to introduce a new product and increase the market share. It increases the sales volume when the product is a new one to the customers. It is an effective method when the product is purchased often e.g. soaps, detergents, tea, coffee etc. It is a method of demand creation. Sampling gives a chance to the consumers to compare certain products with others. Samples may be delivered door to door, sent by mail, picked up in a store, attached to another product etc. It is the most effective way to introduce a new product.

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- **Coupons:** Coupons are supplied along with a product. Coupons can be mailed, enclosed in the packets or printed in the advertisements. The purpose is to attract the customers and bring them to a particular shop to increase the sales of a particular brand.
- **Demonstration:** It is a promotional tool to attract the attention of customers. When products are of a complex and technical nature, demonstration is necessary e.g. computers, software, field machinery etc. Demonstration is also done in front of customers for goods such as mixer, grinder, in retail shops etc.
- **Contests:** These are conducted to attract new customers or to introduce new products. The consumers are asked to state in a few words why they prefer a particular product. To participate in the contest, the consumers must purchase a product and submit the evidence (a label of package or a card attached to the product) with the entry form for the contest. Consumers' skill and their ideas are tested and the prize is given to the best entry. It encourages sales at the retail level.
- **Money refund offers:** If the purchaser is not satisfied with the product, a part or all of the purchaser's money will be refunded. It is stated on the package. It will create new users and strengthen brand loyalty. Sometimes, the money will be refunded if 10 top covers or empty bottles or packages are sent back to the manufacturer.
- **Premium offer:** It is a temporary price reduction which encourages the buyers. Products are offered at a reduced price to encourage purchasing. It is offered to consumers mainly for consumer goods like soap, brush, toothpaste, washing powder, soft drinks, milk cartons etc. For example, when the customer buys two pieces of soap, a soap box is given free. The soap box is the premium. In certain cases, the price is reduced. The reduced price is the premium.
- **Price off offer:** It encourages sales during the period when the sales are quite low. It gives a temporary discount to the consumers i.e. goods are offered at a price less than the printed price. For example, fans may be sold at reduced price during winter,
- **Consumer raffle draw:** Retailers give tickets or coupons to the customers on the purchase of goods for a certain amount. At the specified time, lots will be drawn, and the prizes given.

- **Free trial:** Customers are invited to try the product without cost, in the hope that they will buy the product. Thus buyers are encouraged by free trial to create interest in purchase.

7.3.2 **Dealer sales promotion:** Manufacturers use a number of techniques to get the cooperation of wholesalers, retailers or the middlemen. These activities, which increase the interest of dealers and distributors, are called dealer or distributor sales promotion. It is the middlemen who are important for the fast movement of products. Following are the dealer promotion methods:

- **Buying allowance:** It is an offer of money off or temporary reduction to dealers for purchasing during a particular period of time. It is a very effective method to introduce new products in the market. It encourages the dealers to buy a quantity that they will not buy in normal time. This buying allowance gives the dealers immediate profit.
- **Merchandise allowance:** An advertising allowance is given to the dealers for advertising the features of the manufacturer's product. A display allowance is given to them for arranging special displays of the product. After verifying the promotional activities of the dealer, the manufacturers will give a certain amount of money for promotional activities. They hope that additional efforts will be made to increase the sales at retail level. Some manufacturers, as an encouragement, offer additional quantities of merchandise. This technique is known as merchandise deal.
- **Price deals:** Apart from the regular discount, special discounts are also offered to the dealers for a specified quantity of purchase. This special discount is over and above the regular discount.
- **Push money or premium:** Manufacturers may offer push money. It is a payment in cash or gifts to dealers or to their sales force to push the manufacturer's product. To push his brand, the manufacturer will offer free specialty items that carry the company's name, such as pens, pencils, calendars, memo pads etc.

- **Cooperative advertising:** Dealers spend money on advertising manufacturer's product with the consent of the manufacturer. The dealer can claim an allowance by giving the proof of the advertisement. This is an indirect advertising for the manufacturer. It will increase the sales of the manufacturer's product. But it is a burden on the manufacturer's budget.
- **Dealer sales contests:** This is an indirect way of increasing the sales. This type of contest is conducted at the level of retailers and wholesalers. This is in the form of window display, store display, sales volume etc. Prize is awarded for outstanding achievement. This method is aimed at encouraging distributors, dealers, sales staff etc.
- **Dealer's listed promotion:** Listing dealer is an advertisement. It gives a list of dealers or retailers who stock the product or who are engaged in its promotion. The consumer can buy the product from anyone of the listed dealers. This method encourages the dealers to stock the products, and the consumers are encouraged to buy the products from the listed dealers.
- **Dealer's gift:** Manufacturers give attractive and useful articles to dealers against their order. The articles may be mobile phone, radio, television, clock, watch etc. Sometimes manufacturers offer free family holiday tours to dealers who place more orders.



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- **Point of purchase:** This plays the role of the silent salesperson. The competition among the retailers encourages point of purchase advertising, which is an important method for sales promotion. It is generally at the retailer's shop. Floor displays, overhead signs, wall signs, posters etc are examples of point of purchase method. Retailers adopt this method to draw the attention of customers. This method is suitable for consumer goods as well as industrial goods.
- **Sales force promotion:** As dealer and consumer promotion, the sales force promotion also is a necessary one. The activities of sales force must be encouraged. The role of a salesperson is very important. The idea of sales force promotion is to make the salesperson's effort more effective. The methods for sales force promotion are:
 - **Bonus to sales force:** The manufacturer sets a target of sales for a year. If the sales force sells the products above the targeted sales, bonus is offered to them. This is an encouragement given to the sales personnel to sell more products.
 - **Sales force contests:** To increase the interest and efforts of sales force over a specified time, these contests are announced. Prizes are given to the sales personnel who secure the maximum sales in sales contests. Thus it encourages the sales force to sell more products.
 - **Sales force meetings and conferences:** The idea behind these is to educate, inspire and reward sales personnel. Encouragement is given to them during the discussions. New selling techniques are described to them and discussed in the conference.

Tools of Sales Promotion

Consumer Promotion	Dealer Promotion	Sales Force Promotion
1. Sampling	1. Buying allowance	1. Bonus
2. Coupons	2. Merchandise allowance	2. Contests
3. Demonstrations	3. Price deals	3. Meetings and conferences
4. Contests	4. Push money	
5. Money refund offer	5. Cooperative advertising	
6. Premium offer	6. Sales contests	
7. Price-off offer	7. Dealer's listed promotion	
8. Raffle draws	8. Dealer's gift	
9. Free trial	9. Point of purchase	

8 Advertising

Today's business is of mass production and mass distribution. Similar products are taken to the market by various producers. This involves tough competition among the producers. Companies adopt various means to remain in the market. All businessmen aim to make profit by increasing the sales. When we manufacture good quality products or offer expert services, these must be known to the public. For this, mass communication is needed as the population is large or the market area is wide. We can adopt sales promotion and advertising as tools for marketing. In the present business world, suitable publicity is done through advertising, which is adopted by almost all types of companies. Therefore, advertisement is a method of publicity.

8.1 What is Advertising?

Advertising is the activity by which visual or oral messages are addressed to the general public. Its purpose is to inform or influence them in order to increase the sales of the advertiser. It is done with a view to sell the goods or services offered by the advertiser. The success of advertising greatly depends upon effective advertising programme.

8.2 Objectives of Advertising

Personal selling and other forms of promotion are supported by advertisement. It is the main objective. The long term objectives of advertising are concerned with the achievement of the company's over-all objectives. Some of these are as follows:

- To do the entire selling job;
- To introduce a new product;
- To build brand preference;
- To remind users to buy the product;
- To meet competitors' advertising;
- To increase sales in off-season;
- To introduce price deal;
- To describe the assistance offered by the company;
- To increase market share;
- To convince people about the changes in prices;
- To educate the buyers;
- To announce the location of distributors, retailers etc;
- To invite enquiries;
- To make special offers.

8.3 Functions of Advertising

8.3.1 Increasing the number of customers:

- By increasing the customers and widening the market;
- By developing brand loyalty;
- By focusing the qualities of the product in a better way than other similar products.

8.3.2 Increasing the consumption rate among the present customers:

- By explaining the multiple use of the product;
- By reminding the customers about the products;
- By educating the public about the product, its uses, advantages etc.

8.4 Advantages of Advertising

Advertising helps in a number of marketing activities. It is technique of sales promotion. Sales volume is increased by advertising. It helps and supports the salesperson in selling the products. Consumer's knowledge about the product is increased by advertising. Advertising helps the consumers to save their time in purchasing. It also helps the manufacturers to sell their products. Hence quick selling is possible, which leads to more production at less cost. Thus advertising is advantageous to the following groups of people:



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8.4.1 Advantages to manufacturers:

- It increases the sales volume.
- It increases the net profit.
- It stabilizes the sales volume.
- It controls product price.
- It helps in opening new markets.
- It maintains the existing market.
- It creates reputation.
- It secures more dealers.
- It is less expensive.
- It gives wider information.

8.4.2 Advantages to sales personnel:

- It creates a background.
- It reduces the burden of the salesperson's job.
- It helps in selling the product with the least effort.
- It helps in understanding the customer's need.
- It creates confidence.

8.4.3 Advantages to wholesalers and retailers:

- It creates easy sales.
- It increases the turn-over.
- It attracts more customers.
- It increases the reputation of the store.
- It gives publicity to them.

8.4.4 Advantages to customers:

- It helps in easy purchasing.
- It is a connecting link between the manufacturer and the customers.
- It helps the customers to get the product at a fair price.
- It saves time.
- It ensures the best quality product.
- It educates the customers.
- It helps the people to get the products directly from the producers through mail order business.

8.4.5 Advantages to community:

- It increases employment opportunities.
- It raises the standard of living of the people.
- It has educative value.
- It helps the media – radio, television, newspaper etc – to increase their income.

8.5 Advertising Media

Media or medium is a means through which the advertising message is conveyed to the consumers. The proper selection of the media, by which the message is to be conveyed, must achieve the advertiser's goals. Some or all of the following media may be used by the manufacturers:

8.5.1 Indoor advertising:

When advertising is done through this method – so that people can get the message at home – it is known as indoor advertising. The following are the kinds of indoor advertising:

- Press – newspaper, magazine
- Radio
- Television
- Film
- Text messages on mobile phones

8.5.2 Outdoor advertising:

Outdoor advertising passes the message to those people who are the moving audience. Generally, almost all the people go out on some purpose or other – office, walk, sight-seeing, travel, park visit, shopping etc, and can't avoid looking at the advertisements. Thus outdoor advertising has the best effect of advertising. Following are the various types of outdoor advertising:

- Posters
- Advertising boards
- Vehicles
- Painted display
- Travelling display
- Electric display
- Sky advertising
- Sandwich-men (dressed in fancy clothes)
- Handbills (leaflets)

8.5.3 Direct advertising:

The objective of direct advertising is to create a direct contact with the customers. The advertiser can keep a close touch with the customers or the public who are supposed to have interest in his product. He contacts them through mail advertising. It is a common method. It is also known as direct mail advertising. It may be of the following types:

- Sales letters
- Circulars
- Booklets and catalogues
- Folders
- Package inserts
- Store publications

8.5.4 Promotional advertising:

The objective of promotional advertising is to increase the sales. This is also known as 'display advertising'. By this, we mean that the products are systematically kept in a place so as to attract the attention of the people who walk that way. The following are the important types:

- Window display
- Interior display
- Showrooms
- Exhibitions

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8.5.5 Examples of advertisement slogans:

- GLAXO builds bunny babies
- NESCAFE – the coffee that tastes good
- DUNLOP leads the way
- NIKE – just do it
- NOKIA – connecting people
- Passion to lead – TOYOTA
- SONY – like no other
- NISSAN – shift the way you move

9 Personal Selling

Like advertising and sales promotion, personal selling is also a method of communication. Each person is contacted by face-to-face conversation. Personal selling influences the buyers to buy a product. Personal selling reaches the goal of marketing effort i.e. to increase profitable sales. The purpose of personal selling is to bring the right product to the notice of the right customers. Personal selling is very effective as through it the person concerned is contacted in person.

9.1 Objectives of Personal Selling:

Personal selling has two types of objectives – long-term and short-term. These objectives are:

- To serve the existing customers;
- To search out and get new customers;
- To keep customers informed of changes in the product line;
- To provide technical advice and assistance to customers;
- To provide advice and assistance to middlemen whenever needed;
- To collect and report market information on significant matters to company management;
- To obtain a specified sales volume;
- To secure and retain a specified share of the market.

9.2 Duties of a Salesperson:

He/She:

- Has to make sales of products or services;
- Has to do the assigned duty (travelling);
- Has to make collection of bills relating to sale;
- Has to make reports – sales done, calls made, services provided, customers lost etc;
- Must satisfy customers;
- Must maintain relations with customers;
- Must assist the customers to make good selection;
- Must develop a goodwill for the company and the products;
- Must have cooperative attitude;
- Has to take periodic inventory of the stocks.

9.3 Qualities of a successful Salesperson:

- Establishing good relationship with a variety of people;
- Learning quickly;
- Planning and efficiently managing time and efforts;
- Working hard to achieve long-term goals;
- Communicating clearly both in speech and in writing;
- Producing constantly both in quality and quantity
- Possessing and living up to high moral standards that enable people to admire, respect and trust him/her.

9.4 Sales Personality

The qualities of a salesperson may be described as follows:

9.4.1 Knowledge of:

- Self
- Product
- Company
- Customers
- Competition
- Market
- Selling techniques

9.4.2 Personal qualities:

Some of the important qualities are:

- Good appearance
- Sound health
- Good manners
- Imagination
- Self-confidence
- Tact
- Cooperation
- Dependability
- Sincerity
- Loyalty
- Creative talk
- Self-management

9.5 Features of Personal Selling

- 9.5.1 A salesperson must maintain lasting relations between the company and its customers.
- 9.5.2 It is a creative art. Sales personnel create wants in customers. A human need may change into human want because of salesmanship. They should possess the ability to change needs into wants.
- 9.5.3 A salesperson must have the ability to influence the customer's mind.
- 9.5.4 A salesperson must satisfy the customers not only by selling products but also provide knowledge and assistance to satisfy the needs of customers.
- 9.5.5 The new type of sales personnel have to play an important role in the total marketing process. They must have the ability to learn and the ability to communicate expert knowledge in which they deal.

9.6 Process of Personal Selling

Personal selling aims at oral presentation by conversation between a salesperson and a probable customer. Generally, the following are the methods involved in personal selling:



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- 9.6.1 **Prospecting:** Prospecting means searching for people to whom sales can be made. Prospect is a person who has wants to be satisfied and has ability and willingness to pay. Therefore, this is a first step in identifying and locating of prospects, either from the company's past records or customers or advertisements. A list of such prospects is prepared, and this helps in planning the selling efforts.
- 9.6.2 **Pre-approaching:** It involves developing an understanding about the prospective buyers as to their needs, problems, buying motives, personal character etc. This pre-approach is effective for making a ground for approach.
- 9.6.3 **Approaching and attention:** This is a sales interview. This stage is very important. The first impression of the salesperson may bring a long-term benefit i.e. repeated sales.
- 9.6.4 **Demonstration:** The characteristics of the product are to be presented or demonstrated. The prospects may be made to understand the benefits of the product. They may also be informed of the special features, merits, benefits etc of the products. The salesperson can also show the survey reports, relevant data, free gifts, referring to specific problems in other products, giving examples etc.
- 9.6.5 **Handling objections:** When one shows interest in buying the products, generally, every salesperson faces objections from the prospective buyers. When a buyer purchases a product at a price, buyer asks questions and explanations. The salesperson must face the buyer by giving satisfactory answers.
- 9.6.6 **Closing the sales:** It aims at taking an order for the products from the prospective buyer. The salesperson also asks questions about the products – choice of colour, periodicity of delivery, quantity, terms etc. At the final stage, the prospects place orders with the salesperson.
- 9.6.7 **Follow-up:** Satisfaction of the buyer is important as a source of publicity. This stage is important to have information from buyers regarding the product use, and problems, if any. The salesperson keeps contact to know the problems, if any. After-sale service should be followed strictly i.e. punctuality, personal attention etc.

10 Sales Forecast

Future is uncertain. Man thinks about future. He may be a businessman, a broker, a manufacturer, a commission agent etc. All of them try to guess about the future in their respective field of interest. We try to know, through a clear imagination, what will be happening in the near future – after a week, a month, or a year. It can be called forecast or prediction. The process of forecasting is based on reliable data of past and present.

Forecasting is one of the important aspects of management. Successful marketing depends greatly on forecasting market demand. A sales forecast is an estimate of sales volumes that a company can expect to achieve within the plan period. A sales forecast is not just a sales prediction. It is the act of matching opportunities with the marketing efforts. Thus sales forecasting shows the probable volume of sales.

10.1 Factors affecting a Sales Forecasting

A sales manager should consider all the factors affecting the sales, while predicting the company's sales in the market. An accurate sales forecast can be made if the following factors are considered carefully:

- 10.1.1 **General economic conditions:** It is essential to consider all economic conditions related to the company and the consumers. The forecaster must see the general economic trend – inflation or deflation – which affect the business favourably or adversely.
- 10.1.2 **Consumers:** Products like garments, luxury goods, furniture, vehicles etc keep changing in fashion and style. This needs to be studied before forecasting.
- 10.1.3 **Industrial behaviours:** Markets are full of similar products manufactured by different companies, which compete among themselves to increase the sales. As such, the pricing policy, design, advanced technological improvements, promotional activities etc of similar industries must be carefully observed. A new company may come up with products to the market and naturally affect the market share of the existing companies. Unstable conditions – industrial unrest, government control through rules and regulations, improper availability of raw materials etc – directly affect the production, sales and profits.
- 10.1.4 **Changes within the company:** Future sales are greatly affected by the changes in pricing, advertising policy, quality of products etc. A careful study in relation to the changes on the sales volume may be done. Sales may be increased by price cut, suitable advertising policies, increase in sales promotions, concessions to customers etc.

- 10.1.5 **Period:** The required information must be collected on the basis of period – short-term, medium-term or long-term forecasts.

10.2 Methods of Sales Forecasting

Forecasting techniques and procedures differ from company to company. However, following are some of the methods of sales forecasting.

- 10.2.1 **Executive opinion:** One or more of the executives, who are experienced and have good knowledge of the market factors, make out the expected sales. All the factors – internal and external – are taken into account. This method is simple as experience and judgment are pooled together in making sales forecast.
- 10.2.2 **Sales force opinion:** Under this method, sales people are required to make out an estimate of sales in their respective territories for a given period. Sales people are in close touch with the consumers and possess good knowledge about the future trend. Thus all the sales force estimates are processed, and a sales volume estimate formed for the whole market for the given period.
- 10.2.3 **Test marketing result:** Under the market test method, products are introduced in a limited geographical area and the result is studied. Taking this as a base, sales forecast is made. This test is conducted in order to understand the market response.
- 10.2.4 **Consumers' buying plan:** Consumers, as a source of information, are approached to know their likely purchases during the period under a given set of conditions. This method is suitable when there are a few customers. This type of forecasting is generally adopted for industrial goods. It is suitable for industries which produce costly goods for a limited number of buyers – wholesalers, retailers, potential consumers etc.
- 10.2.5 **Market factor analysis:** A company's sales may depend on the behaviour of certain market factors. The main factors which affect the sales may be determined. By studying as the behaviour of the factors, forecasting is done. For example, you publish a text book on "Banking" for college students. Find out the approximate number of students likely to be admitted to the colleges for this course. Also find out whether it is a compulsory or an optional subject. By getting all these details and also by considering the sales activities of promotional work, you may be able to estimate the number of copies to be printed. The key to the successful use of this method lies in the selection of the appropriate market factors. Minimizing the number of market factors is also important. Thus the decision- makers have to consider price, competition, advertising, buying habits, change in population etc.

10.2.6 **Expert opinion:** Many types of consulting agencies have entered into the field of sales. The consultancy agency has specialized experts in their respective fields. They include dealers, trade associations etc. They may conduct market research and possess ready-made data. Companies may make use of the opinions of such experts. These opinions may be carefully analyzed by the company and sound forecasting made.

10.2.7 **Past sales:** Past sales are a good basis and on this basis future sales can be forecast. Today's sales activity flows into tomorrow's sales activity, that is last year's sales extend into this year's sales. However, this method is not suitable for new industries and for new products, as there cannot be any past records.

10.2.8 **Other factors:** Apart from the above, the following factors may also be considered:

- Availability of raw materials
- Plant capacity
- Government policies
- Buying habit of consumers
- Fashion trends
- Distribution system
- Financial capacity
- Market competition
- Sales promotions
- National income movement



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10.3 Categories of Sales Forecast

There are three categories of sales forecasts:

- 10.3.1 **Short-term forecast:** It is also known as operating forecast, covering a maximum of one year or it may be half-yearly, quarterly, monthly and even weekly. This type of forecasting can be advantageously utilized for estimating stock requirements, providing working capital, establishing sales quotas etc. It helps the management to improve and coordinate the policies and practices of marketing – production, inventory, purchasing, financing etc. Short-term forecast is preferred to all types and brings more benefits than other types.
- 10.3.2 **Medium-term forecast:** This type of forecast may cover from more than one year to two or four years. This helps the management to estimate probable profit and control over budget, expenditure, production etc.
- 10.3.3 **Long-term forecast:** This type of forecast may cover one year to five years, depending on the nature of the company. Seasonal changes are not considered. The forecaster takes into account the population changes, competition changes, new inventions, economic conditions etc. This type is good for adding new products and dropping old ones.

The methods of forecasting discussed above have their respective merits and demerits. No single method may be suitable. Therefore, a combination method is suitable and may give a good result. The forecaster must be cautious while making decision on sales forecast. Periodical review and revision of sales forecast may be done, in the light of performance. A method which is quick, less costly and more accurate may be adopted.

11 Marketing of Consumer Goods

11.1

11.1.1 **Definition:** Goods may be defined as any commodity, product or services which are useful for people and have monetary value. Goods may be divided into three categories on the basis of consumer needs:

- **Manufactured goods:** Manufactured goods are those goods that are semi-finished or finished goods used by producers and consumers. Manufactured goods are of two types – consumer goods and industrial goods. Consumer goods are those goods which are meant for direct consumption by ultimate consumers, for example, car, television, radio, cycle, shoes, furniture, toys etc. Industrial goods are those goods which are used in the process of manufacturing other goods and services, for example, raw materials, machines, maintenance supplies etc.
- **Agricultural goods:** Agricultural goods refer to the produce out of cultivation, for example, vegetables, grains, fruit, and also dairy farming, poultry farming, eggs, meat etc. Of these agricultural goods, wheat, rice, pulses etc are food products for human consumption, whereas oilseeds, cotton etc are raw material for industry. That is, these agricultural products are classified into two categories – industrial goods and consumer goods.
- **Natural raw materials:** Natural raw materials are the gifts of nature, for example, mines, forests etc, and these provide raw materials which need further processing before use.

11.1.2 Differences between Consumer Goods and Industrial Goods

Consumer goods	Industrial goods
1. Goods bought are meant for consumption.	1. Goods bought are for further processing.
2. There is a direct demand.	2. There is indirect demand.
3. Purchase is made in small lots.	3. Purchase is made in large quantities.
4. To make purchases, ordinary knowledge is enough.	4. To make purchases, expert knowledge is needed.
5. The demand is elastic.	5. The demand is inelastic.

11.2 Characteristics of Consumer Goods:

Manufactured consumer goods are sold to the consumers for consumption purposes. Further processing is not required before consumption. The following are the characteristics of manufactured consumer goods:

- 11.2.1 **Customers are numerous:** People of the whole world are buyers. Goods are manufactured to meet their day-to-day needs. The buyers of consumer goods are scattered and the markets are widespread. Because of the numerous buyers, it is not possible for the manufacturers to deal directly with the buyers individually. Hence the producers of manufactured goods employ the services of middlemen – wholesalers and retailers – through whom the distribution of goods is done.
- 11.2.2 **Purchase in small lots:** Generally, the unit cost of consumer goods is low. People buy in small quantities, for example, paste, brush, soap, hair oil etc. Such goods are available easily and that too in any quantity. The manufacturers of consumer goods generally adopt methods of mass selling. They advertise their products on radio, television, and in newspapers, magazines etc. They also adopt distribution of free samples, display of the products in various retail shops.

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- 11.2.3 **Mass production:** Consumer goods are manufactured in large quantities. The demand for consumer goods is high and as such large scale production is necessary. Because of the non-durable nature of the goods, continuous supply is needed. Moreover, markets are wide-spread and demand is regular.
- 11.2.4 **Buyers are poorly informed:** Consumers may buy varieties of goods, though generally they may not be interested in studying their characteristics. Manufacturers also do not inform the buyer-consumer about the characteristics of the product. They depend on the advice of the seller. Advertising and other promotional tools influence the consumer's choice. Varieties of similar goods are available in the market. Communication and advertisement about a product satisfy many consumers.
- 11.2.5 **Changes in fashion:** We may generally come across occasions of 'clearance sales.' This is mainly because of change in fashion. New products to meet this fashion-change arrive in the market. So manufacturers adopt methods of introducing some changes in the existing products or they go for clearance sales.
- 11.2.6 **Personal considerations guide purchases:** Consumer goods must give satisfaction to the consumer. Conditions of sales – home delivery, repair facility, fitting, installation etc – have influence on the buying decisions. When a person purchases a durable product, he makes an enquiry as to the facilities, such as after-sales service etc, available to him.
- 11.2.7 **Manufacturer exercises control over the price:** Manufacturer has complete control over the price of his products, through the controls of quality or quantity. The demand for the products depends upon economic conditions, size of population, fashion, taste etc of the consumers. A producer can produce goods that the buyers need. Thus the manufacturer exercises a degree of control over the prices of his products.
- 11.2.8 **Buying motives:** Consumer goods are bought by consumers because of pride, prestige, comfort, social status etc. For example, we may buy a wide-screen LCD television with all the latest features.

11.3 Classification of Consumer Goods

Consumer goods are meant for final consumption. On the basis of buying habits, manufactured consumer goods are classified into three categories:

11.3.1 Convenience goods:

A. Features:

- Most of the convenience goods are perishable.
- Consumers possess full knowledge of the goods.
- Shops dealing in the goods are located at convenient places.
- There is a regular demand for these goods.
- The goods are purchased frequently in any quantity.
- Amongst the competitors, there is a keen competition.
- All goods are standardized and branded.
- To get the goods, minimum effort is needed.
- Such goods have close substitutes, for example, soap, paste, pens etc.
- Almost all the goods are daily necessities of life.

B. Marketing: Since close substitute products are available to consumers, there arises a keen competition. Convenience goods are produced by many companies, in large quantities and in many varieties. The following factors are given consideration:

- **Display:** It is important to have a display of goods. Window display and counter display are essential to attract the customers at the point of purchase.

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- **Advertising:** A wide range of advertising is essential. A retail store may stock several brands and is interested to make a sale but not of a particular brand. Hence the manufacturer advertises his products in newspapers and magazines, and on radio and television.
- **Wholesalers:** Consumers are countless. Direct selling is not practical. The product must be available in almost all retail shops. If the desired product is not available, consumers may go for the substitute brands. The services of wholesalers are essential to facilitate the distribution of convenience goods to retailers who stock such products in sufficient quantity.

11.3.2 **Shopping goods:** Shopping goods are consumers' products, for example, furniture, clothes, television, washing machine, jewelry etc.

A. Features:

- Products are durable.
- Purchase is not frequent.
- The unit price is higher than that of consumer goods.
- Comparison and evaluation are done by buyers.
- It is always a pre-planned purchase.
- Branding is not essential for many such products.
- Buyers devote time and effort in the selection process.
- Great care is given when purchase is made.
- Generally producers supply goods directly to retailers.
- Retail shops may not keep all rival products.

B. Marketing: Shops dealing in shopping goods are located in central places. Manufacturers generally have a few outlets for the sale of goods. Shopkeepers keep the right goods to satisfy the customers. Generally, manufacturers supply goods directly to retailers. For example, a shop dealing in electrical goods may stock electrical goods but not other goods. Consumers are easily able to compare the quality of goods, prices, performance etc. Advertisements and displays are commonly done by the retailer. The location of the store, reputation of the dealer, salesmanship, price, design etc are important to the consumers.

113.3 **Specialty goods:** Specialty goods are those goods which have some particular attraction for the consumer, for example, watches, cars, shoes, television, mobile phones, computers etc.

A. Features:

- Consumers insist on a particular brand.
- Goods are high-priced ones.
- The buyers are well-informed.
- There is a limited demand.
- Goods have their own special attraction.
- Consumers are prepared to spend considerable time and effort for these goods.
- Customers make purchases without looking around everywhere.
- Substitute brands are not generally accepted by consumers.

B. Marketing: Specialty goods enjoy brand loyalty. Generally, manufacturers may also run their own outlets for sale of specialty goods. If the preferred brand is unavailable or out of stock, customers prefer to wait until it arrives in stores. Manufacturers and retailers advertise the products extensively. In the marketing of goods, facilities of repair service, installations etc are very important. The retailer's reputation also plays an important role.

11.4 Channels of Distribution:

A channel of distribution is the route through which goods move from the manufacturers or producers to the ultimate consumers. The types of distribution or channel for consumer goods are:

- Manufacturer to consumer.
- Manufacturer to retailer to consumer.
- Manufacturer to wholesaler to retailer to consumer.
- Manufacturer through an agent to wholesaler to retailer to consumer.
- Manufacturer through an agent to middlemen to retailer to consumer.

12 Marketing of Industrial Goods

Industrial goods are those goods which are meant for use in making other products or for providing a service in the operation of a business. Industrial users – businesses, manufacturers, government, service organizations, middlemen etc – buy products to use for their operations in making other products. Industrial goods are not final products; they are used for further production of goods to be bought by the ultimate consumers. Industrial goods are sold in industrial markets. They are also known as producer's goods.

12.1 Classification of Industrial Goods:

Industrial goods may be classified, based on the uses of the product but not on the basis of buying habits, into five categories:

- 12.1.1 **Raw materials:** Raw materials are those industrial goods, which in part or in whole, become a part of the physical product, but have undergone only as much processing as is required for the product.



A. Features of natural raw materials:

- The supply of natural raw materials is limited.
- Production needs specialized activity and generally requires much capital investment.
- The quality may differ from place to place.
- The materials are bulky in nature but the internal actual value is low.
- Certain types of natural raw materials are perishable.
- Over-production can be controlled.

B. Marketing consideration: There are problems in marketing raw materials. Since the materials are bulky, shorter channel of distribution is required. The following problems are involved in marketing:

- Transportation of these bulky materials to a longer distance will cost more. Hence such industries are set up close to the source of raw materials. For example, sugar mill industries are located near the place where sugarcane is cultivated.
- The qualities of natural raw materials are widely different from place to place and time to time. As the quality of raw materials, so is the quality of the finished product. Buyers of such raw materials carefully inspect the materials, on the basis of their needs, before purchase.
- Manufacturers of finished goods generally invest huge amounts in fixed investment, employ a large number of people, and aim at mass production. For successfully meeting all these, regular supply of raw materials is to be assured by the supplier. This may be done either by entering into long-term contract with the supplier, purchasing from open market or by owning the source of supply.

12.1.2 **Fabricating materials and parts:** Fabricating materials which have been processed will undergo further processing in the course of manufacturing of finished products. The original material cannot be identified in the final product, for example, flour going into bread, yarn going into cloth, pig iron going into steel etc. Fabricating parts are also industrial goods that have undergone complete manufacturing process, and generally do not require further processing. They become part of the finished product and can be identified easily. This is because no change in the form or further processing is done on these parts. These fabricated parts, without much change in form, are assembled or combined into the final product, for example, batteries, spare parts, nuts, bolts, speaker etc. These items can be taken out from the finished products, in their original form.

A. Features:

- A manufacturer of finished goods needs regular and adequate supply of fabricated materials and parts. For example, without tubes cycles cannot be produced; without flour bread cannot be prepared; without yarn cloth cannot be made etc.
- Buyers of these goods, generally, possess knowledge of these products. They are particular about the quality, stability, price etc. They personally go to the market in the process of selection and make thorough enquiry before making a decision to buy.
- There are many producers of fabricating materials and parts. This means there is competition in selling. These materials must be priced at competitive price, so that manufacturers are able to produce their finished products at competitive price.
- Standards of quality and uniformity in size are of great importance to the buyers. If one supplier is unable to supply standard materials and parts, buyers have many choices. As such, industrial users go in for the materials which are of standard quality and are uniform in size, durability, price, shape etc.

B. Marketing consideration:

- Fabricating materials and parts are purchased in large quantities. Buyers need better quality. Brand has little to do with the buying motives. The price is also not considered to a large extent. They look to the quality, performance and durability. The buyer's specification is important and accordingly the materials are supplied.
- The purchase is always based on timely and uniform supply. This is because the finished products are manufactured along with the fabricated materials or spares. If these are not supplied regularly and timely, an industrial user cannot produce products. Therefore, the buyers need surety of supply on the basis of needs. Thus, the buyer prefers to buy these materials on a contract basis, six months to one year, so as to ensure regular and timely supply.
- Most of the fabricating materials and parts are sold directly to industrial users, with orders placed often a year or more in advance. Maximum dealings are direct; middlemen are used for small quantity. The company supplying the materials has its own sales personnel and they call upon the users.

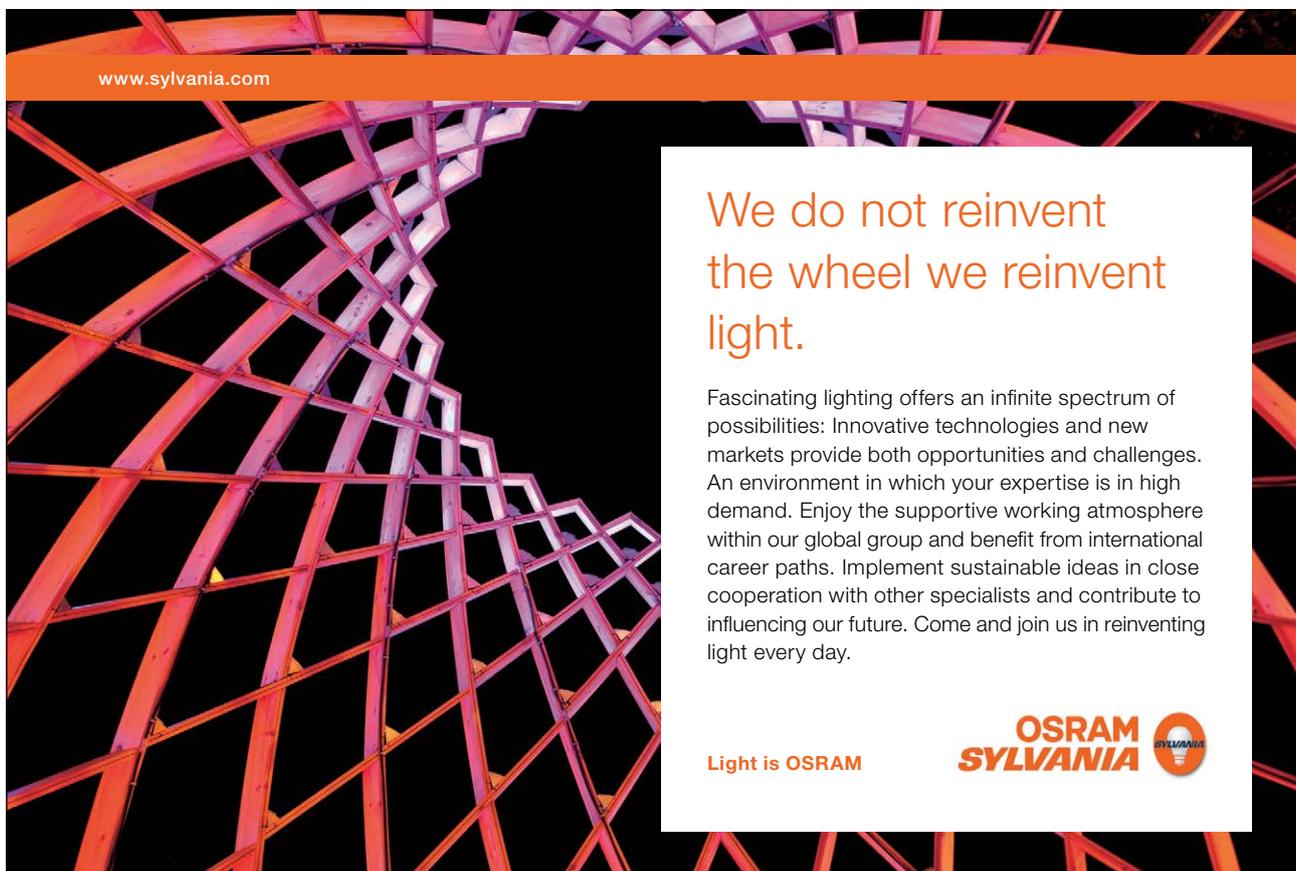
12.1.3 **Installations:** Installations are manufactured industrial products – the long-life expensive major equipment of an industrial user. Installations consist of building factories and offices, fixed equipments – power looms, generators, elevators, boilers etc. The negotiation period for them is also long.

A. Features:

- Specifications are always designed by the purchaser/user. Before making a decision to purchase, suggestions are taken from the experts. The installations are manufactured strictly according to the specification laid down by the user. Since it is highly costly and durable, much care is taken while designing installations.
- Fashions, habits, behaviour of consumers in the market etc may change often. The finished product must suit the market. Because of the development of science and technology, new inventions or economical methods may come up. This may cause the machinery or installations to become out of date.
- Installations are costly and are meant for longer period, for example, installations in a sugar factory can be used for a long period.
- Generally it is found that the working of installations cannot be judged exactly. When the installations are put into use, the working or performance can be checked.

B. Marketing consideration:

- The buyers of installations, which cost a huge amount, always expect after-sales service. In many cases, pre-sale and after-sale services are needed. Even a single sale is important to the seller. As such, the seller keeps a constant touch with the buyers and makes provision for repairing in order to earn goodwill.



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- Generally no middlemen are involved and the channel is direct from the producer to the user. The negotiation period is longer. A high degree of talent and sales effort are needed. Personal selling is more effective than any other method.
- It is a problem to the management to have huge amounts locked up while starting new installations. As the price is high, buyers may go for getting them on lease instead of outright purchase. The leasing system is widely followed.

12.1.4 **Accessory equipment:** These are minor machines and machine tools, for example, welding equipment, speed reducers, typewriters, cash registers, trolleys, computers etc. All these, commonly called accessory equipments, are industrial products. These are used in aid of the production. They do not enter into the final products. They do not have influence on the scale of production, as they do not perform any basic operation. But they facilitate the manufacturing process. Their life is also shorter than installations, but more than operating supplies. These are standardized products and are not made to order whereas installations are made to order in almost all cases.

A. Features:

- Since they are equipments and tools used by different customers, most of the products are standardized in respect of quality, durability, size and price. They are produced in anticipation of demand.
- Accessory equipments do not become out of date. These items are meant for certain purposes; for example, tools are required for fitting machines. Machines may become out of date, but it is not so with the accessory equipments.
- The cost of these items is cheap. Their life is longer than that of operating supplies. These are subject to wear and tear because of regular use.
- The buyers have brand preferences over the buying decision. Preferences of the workers and reputed manufacturers are important in marketing these products. For example, you may purchase a calculator of 'A' company; some others may purchase it from 'B' company. Each product has its own originality.
- There is a difference in appearance or material input. It differs widely from company to company. Industrial users make enquiries from those who are already using them before making a decision. They are purchased frequently.

B. Marketing consideration:

- There are many producers of accessory equipments and tools in the market. They compete among themselves. To attract industrial users, wide publicity is made, apart from sales promotional methods, for example, typewriters, fans, hand tools etc.

- Manufacturers of these products like to sell industrial users through their own sales personnel and also through middlemen – direct selling and indirect selling. When the market is geographically scattered, the services of middlemen are used. Direct selling is done where the unit value is high or the demand is for several units.
- In the absence of these items, the scale of operation is not affected. However, the flow of production is affected. As such, timely supply is preferred.

12.1.5 **Operating supplies:** Items such as lubricants, oil, grease, petrol, stationery, distilled water etc are operating supplies. These are similar to convenience goods, and are required in the company's operation. They do not become part of the final product. They are consumed in the operation. Their life is short.

A. Features:

- The life of operating supplies is short. They are low priced. Such products are consumed in the company during the operation of a plant. They are used up or they lose value immediately, for example, oil, grease etc used in the machines.
- Almost all such supplies can be purchased with minimum effort. They are readily available in the market, apart from being low in unit value. They are purchased in small quantities frequently.

B. Marketing considerations:

- The producers of these goods are numerous and hence competition arises, especially on the basis of price. Generally the buyer's decision is based on price. This is because many manufacturers produce similar goods.
- Almost all the producers need the operating supplies. There is widespread market. Sales of these items are in small quantities as they are available anywhere and at any time. They are similar to convenience goods.
- Most of the supplies are indirect, as these resemble convenience goods. These industrial operating supplies necessitate broad distribution. The producers of these products sell them through an extensive network of wholesalers. Their unit value is low. They are bought in small quantities and they go to many users.

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