DJC2C - MARKETING AND SALESMANSHIP

Unit I

Definition of marketing – importance – marketing functions – classification – kinds of markets – buying – classes of buyers – planning the purchase of goods – types of buying – assembling – selling – product planning and development – meaning and importance – product life cycle – diversification and simplification of products – distribution channel

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Sales organization – need and importance of sales department – types of sales organisation – sales manager – quality of sale manager – duties and responsibilities – types – sales promotion – objectives – methods – advertising – social and economic effects – types of advertisement – media planning – advertisement copy.

Reference Books

1. Marketing and Salesmanship – Philip Kotler, Pearson Publications
2. Sales Management – Belling G.L.
3. Marketing and Salesmanship – Sinha S.C., Himalaya Publishing house, Mumbai
4. Salesmanship, Sales Management and Administration – Sathiyanarayanan

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

1. **Definitions of Marketing**
2. **History of Marketing**
3. **Importance of Marketing**
4. **Marketing functions**
5. **Classification /Kinds of markets**
6. **Buying**
7. **Types of buying**
8. **Assembling**
9. **Selling**
10. **Product planning and development**
11. **Product life cycle**
12. **Distribution Channel**

Definitions of Marketing

Different authorities have defined marketing in different ways. Given below are some definitions of marketing.

According to American Marketing Association "The process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives."

According to Philip Kotler, "Marketing is the set of human activities directed at facilitating and consummating exchanges. Three elements must be present to define a marketing situation. (i) two or more parties who are potentially interested in exchange, (ii) each possessing things of value for the other; and (iii) each capable of communication and delivery."

According to Converse, "Marketing includes those business activities which are involved in the flow of goods and services from production to consumption."

According to Cundiff and still, “Marketing is the business process by which products are matched with markets through which transfer of ownership is effected.”

According to committee on Definition of American Marketing Association, “Marketing consists of the performance of business activities that direct flow of goods and services from producer or supplier to the consumers or end-users.”

History of Marketing

Marketing is a relatively young discipline, when compared to economics, production and operations, accounting and other business areas, having emerged only in the early 1900s. Prior to this time, many of the issues that are now commonly associated with marketing were either assumed to fall within the basic concepts of economics (for example, price setting was viewed as a simple supply/demand issue), advertising (well developed by 1900), or in numerous cases were simply not yet explored (for example, customer purchase behavior, and the importance of distribution partners).

Let by marketing scholars from several major universities, the development of marketing was greatly motivated by the need to dissect in more detail, relationships and behavior that existed between sellers and buyers. In particular, the study of marketing led sellers to acknowledge the fact that adoption of certain strategies and tactic could significantly benefit the seller-buyer relationship. In the olden days of marketing, i.e., before the 1950s, this often meant identifying strategies and tactics simply for the purpose of selling more products and services with little regard for what consumers really required. Often this led companies to embrace a “sell-as-much-as-we-can” philosophy with little concern for building consumer relationships for the long term.

However, starting in the 1950s, companies began to realize that the old ways of selling were wearing thin with consumers. As competition grew stiffer across most industries, organizations looked at the buyer side of the transaction for ways of improvement. What they discovered was an emerging philosophy suggesting that the key factor in successful marketing is to understand the needs of consumers. This now famous “marketing concept” suggests that marketing decisions should begin flowing from knowing the consumers what they want. Only then should an organization initiate the process of developing and marketing of goods and services. The marketing concept continues to be at the root of most marketing efforts, though the concept does have its own problems especially with regard to marketing new technologies. Furthermore, overall marketers have learned that they can no longer limit their marketing effort to just influencing consumers to purchase more. They must have a meaningful in-depth understanding of who their consumers are and what they want.

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to consumers and for managing customer relationships in ways that benefit the organization and its stakeholders.

The traditional market is a city square where traders set up stalls and buyers browse through the merchandise. This kind of market is very old, and countless such markets are still in operation around the whole world. In the USA such markets fell out of favour, but renewed interest in local foods has cause the reinvention of this type of market, called farmers' markets, in many towns and cities. An example of a large market is Chatuchak weekend market in Bangkok. The Romen term for market, still use in a related sense, its forum. The modern shopping mall can be seen as an extension of this concept. In modern times, mainly after the invention of the electronic computer, markets are not always located in a physical space. Such virtual market consists of communication paths where information exchange is easy and deals may be struck. A notable example of this is the international currency market. Strategic management and marketing is the percentage or proportion of the total available markets or market segment that is being serviced by a company. It can be expressed as a company's sales revenue (from that market) divided by the total sales revenue available in that market. It can also be expressed as a company's unit sales volume (in a market) divided by the total volume of units sold in that market. Market share is one of the most common objectives used in business. (Other objectives include return on investment (ROI), return on assets (ROA), and target rate of profit). The main advantage of using market share is that it abstracts from industry wide macro environmental variables such as the state of the economy, or changes in tax policy.

Importance of Marketing

Marketing leads to the integration of various core sectors of a nation such as agriculture and industry

1. Marketing is the key to industrial production. It assesses the needs of the consumers and enables production of goods accordingly.
2. It facilitates the fullest utilization of the existing assets and productive capacity.
3. It mobilizes untapped economic energy
4. It contributes to the development of entrepreneurs and managers.

In concise, “Marketing is the father of innovation and product development, promoter of entrepreneurial talent, developer of economy, stimulator of consumption and higher standard of living and guardian of price system.”

Apart from contributing to the development of the nation as a whole, marketing has greater importance for individuals associated with the marketing process.

1. Efficient marketing results in lower costs of distribution and lower prices to consumers.
2. Marketing provides a connecting link between production and consumption.
3. Scientific marketing stabilizes the price level. It is against hoarding, profiteering and black marketing.
4. Marketing precedes production. The producer produces what consumers want. Only after knowing the tastes and preferences of consumers, producers undertake production of want satisfying goods.
5. Marketing finds out the right place where goods and services are to be made available at a reasonable price.
6. A large number of persons are employed in marketing activities. The broad roles of marketing and increased demand for marketing of services have provided enormous employment opportunities for education of youth.
7. Marketing enhances the standard of living of the people by supplying quality goods at a reduced price. As buskirk observes, “a reduction in the per unit cost of distributing goods and services to the society would result in a higher standard of living.”

8. The object of marketing is to satisfy human wants. It fulfils the needs of the buyers by giving them what they want.
9. Effective marketing reduces the imbalance in the supply by making available the surpluses to the deficit areas
10. Marketing creates time, place and form utilities.
11. Marketing generates revenues for the business firms. In brief, in this age of constant change, marketing is the heartbeat of many operations.

Marketing functions

Marketing functions are a series of specialized activities concerned with the marketing of goods and services. These services can be broadly classified as follows:

1. Functions of exchange
2. Functions of physical supply
3. Facilitating functions

These functions of exchange are those activities which are performed in the transfer of ownership from sellers to buyers. The functions of physical supply are concerned with the activities involved in the physical investment of goods. Facilitating functions refer to those activities which are concerned with helping the process of exchange.

1. **Buying and Assembling:** Buying is concerned with the purchase of raw materials for use in production or the purchase of finished goods either for consumption or for the purpose of resale. Efficient buying is essential for successful marketing. Raw materials of right quality and quantity are purchased for use in production. Wholesalers purchase the right type of goods in sufficient quantity for purposes of resale to retailers. Retailers buy a variety of goods for resale to the end users, i.e., the ultimate consumers. Goods can only be sold at a profit if they are of right type, right quality and right quantity.

   Assembling differs from buying. It begins after the goods are bought. It implies collection of goods purchased from different sources at a common point, or under a common roof. Assembling of goods entails purchase and gathering together of raw materials in order to produce goods and services. It helps in reduction of transportation expenses since goods can be transported in bulk.

2. **Selling:** The main objective of all marketing activities is to sell the goods and services. Selling enables an organization to achieve its objectives by satisfaction of requirements and the needs of customers. Selling denotes locating the customers and transferring the goods to them for value, i.e., in exchange for money. Selling involves transfer of the ownership of goods from the seller to the buyer. It could be a negotiated sale or an auction sale. The various activities involved in selling include locating buyers, discovering their preferences, sale, the mode of delivery and provision of after-sales services. An organization may decide to sell goods directly or through wholesalers and retailers.
3. **Transportation:** Transportation refers to the physical movement of goods from the places of where they are produced to the places where they are consumed. Modern business organizations produce on a large scale in order to cater to the needs of consumers scattered all over the world. Therefore, transportation is an important part of the marketing process. It implies assembling and dispensing of goods. Transportation brings together the producers and consumers who are not located in the same place. It creates place utility by means of transportation have resulted in removal of the problems of distance, i.e., place utility, as well as in time utility because speedy transport minimizes the time of transit. Transportation plays a significant part in the economic, political and social development of a country.
4. **Storage or Warehousing:** Storage denotes the process of holding and preserving goods for future use. Goods are generally produced in the modern day, in anticipation of demand. There is a time gap between their production and purchase and consumption or the resale of goods. During this period, they should be properly stored in warehouses to protect them from fire, theft, damage, and so on. Storage is an indispensable service. It creates time utility by shortening the gap between the time of production and the time of consumption. It helps an organization to manufacture or purchase goods in anticipation of demand. It makes goods available to buyers as and when they are needed. It also helps in lessening fluctuations in price by adjusting the supply with the demand. Modern warehouses are used for labeling, grading and packaging purposes as well.
5. **Marketing Research:** Marketing research implies use of the intelligence services of a business organization. It is a systematic investigation of facts, pertinent to various aspects of marketing. It is the process of systematically and critically gathering and analyzing facts related to the different aspects of marketing. It involves the

collection, analysis and supply of information to managers to facilitate decision making in the fields of marketing research. It may be conducted in areas of marketing, for example, popularity of the product, level of price, channels of distribution, advertising effectiveness, consumer preferences, buying habits, and so on. It is required to help the marketing manager in understanding and satisfying the needs and wants of customers with the right product, at the right price and place. In marketing research, data is collected both from primary sources, i.e., customers, salesmen and dealers as well as secondary sources, i.e., press reports, trade directories, government publications etc. to provide marketing managers with timely, accurate information for them to take proper decisions.

6. **Product Planning and Development:** Products are the foundation of a marketing programme. Therefore, this aspect relates to development of new products and improvement of the existing products so as to meet the anticipated needs and preferences of customers. Product planning and development denotes several important decisions pertaining to the size, design, colour, quality, package and other characteristic features of a product. Every product has a limited life. Therefore, it becomes necessary that the existing products are improved and new products are developed. Product planning and development has assumed increasing importance in modern times owing to the every changing expectation of customers, growing competition and technological progress.

7. **Standardisiation and Grading:** Standardization is concerned with the process of setting certain standards or specifications for a product on the basis of its desired qualities. Standards denote the desirable qualities like durability, safety, utility etc which should be present in a product. It ensures conformity with the required specific qualities of a product. It facilitates purchasing by description. Buyers need not go to the extent of verifying the quality of standardized products. For example, those products bearing the ISI mark carry the guarantee of the Indian Standards Institution as regards their quality.

   Grading is concerned with the division and sorting of products into classes made up of units which possess similar features. It is the process of dividing the products into batches or lots in accordance with certain specifications depending upon predetermined standards of quality. Grading is applicable in the case of agricultural products like food grains, vegetables, cotton, tobacco etc. It is helpful in commanding remunerative prices for different products.

8. **Packaging:** It is the process of designing and producing suitable packages for a product to protect it from damages in transit. A package may be a wrapper or a container in which a product is enclosed, encased or sealed. Packaging protects the product when it is stored and transported. It may reduce the risks of spoilage, breakage, leakage and so on. It provides an opportunity to the manufacturer to present useful information to the customers. A well-packaged good acts like a silent salesman in self-service stores like shopping malls, super bazars and super markets.
9. **Branding:** It is the procedure of giving a separate identity to a product with the help of special brand names. A brand can also be a sign, symbol, design or a combination of all these, which is necessary to differentiate the product of one business enterprise from another. Tata Tea, Nescafe Coffee, LG Refrigerators, Britannia Cakes, Nike Shoes, and so on, is examples of a few brand names. Branding helps to build the reputation of a manufacturer. It enables the producer to create a separate, distinct image in the market as well as ensures repeated sales. Brands like Hallmark, Archies, Pepsi, HP and IBM have become popular in India and customers have begun to associate them with the products.
10. **Pricing:** It is concerned with the procedure of fixation of the price for a product or service. Determination of the correct price is an important managerial function. The term 'price' denotes the exchange value of a product or service expressed in terms of money. Pricing assumes importance in an enterprise due to the fact that customers will not purchase a product unless the price is reasonable and acceptable to them. Price determines the volume of sales and profit of a business enterprise. Thus, the price of a product or service must be carefully fixed. An enterprise must decide upon a price which will attract different types of customers if it has to survive in a competitive market. Price is generally fixed depending upon three factors, i.e., the total cost of production, the demand for a product and degree of competition in the market.
11. **Promotion:** Promotion includes all the activities targeted to influence the behavior of buyers. It consists of informing and persuading customers to make the product and services known and acceptable to them. Promotion is essential for creation, maintenance and increase in the demand for a good or service. The importance of promotion has increased with increased in competition in the market. The techniques are used for promotion include advertising, personal selling, publicity and sales promotion.

12. **Financing:** In marketing finance is necessary for purchasing, storing and transporting the goods as well as for selling the goods on credit. Finance and credit are lubricants that facilitate the working of the marketing function. Finance is concerned with the provision of money and credit required by manufactures and sellers to make goods available to the consumers. It may be obtained from various sources like owners, bankers, trade creditors, financial institutions, and so on.
13. **Insurance:** It entails management of the risks inherent in the ownership and possession of goods. Marketing involves various risks like deterioration of goods in warehouses on account of rodents, dust and moisture. Fire, flood, earthquake, cyclone and so on may damage the goods. Strikes and lockouts could results in loss of production and sales. Negligence, dishonesty and theft on the part of employees or customers could lead to loss of goods and cash. The sale of goods could go down due to change in fashion, competition and the tastes and preferences of the people. Loss can also result from fluctuations in price, bad debts or a political crisis. Insurance is a protection against such risks. These risks are covered by paying a small premium so as to recover any losses due to the occurrence of the risk.

    Therefore, marketing is the craft of linking the producers (or potential producers) of a product or service with customers, both existing and potential. Some form of marketing arises naturally in all capitalist societies but is not limited to capitalist societies. Marketing techniques are applied in politics, religion, personal affairs as well as in many other aspects of life.

Classification /Kinds of markets

Marketers are of different types. They may be classified on the basis of (i) nature of purchase and consumption, (ii) Geographical coverage, (iii) magnitude of selling, (iv) on the time period; and (v) on the basis of products in trade.

I. Markets on the basis of Nature of purchase and consumption

On the basis of nature of goods, their purchase and consumption, markets can be classified into (1) Consumer markets (2) Industrial markets

(1) Consumer markets: A consumer market is where people buy goods and services for their personal consumption or use. Consumer market is made up of individual and households. In terms of population size, the Indian consumer market is the second largest in the world. Consumers purchase a variety of products and services to satisfy their physiological and psychological needs. This market consists of purchasers and individuals who do not buy for making profit out of the product. The goods sold in the consumer markets can be durables and non-durables. Durables include goods such as computers, refrigerators, television sets, washing machines, etc.

(2) Industrial markets: Industrial markets consist of individuals, groups or organizations who buy products and services to earn profit out of them. They purchase products and service either for producing other products and services which can be sold in the consumer markets or for using them to facilitate the organizations including manufacturing, services firms, government departments and reselling business enterprises. Industrial markets are also known as organizational market and the e-commerce context; they are referred to as B2B.

II. Markets on the basis of Geographical Coverage

Communication, transport, science and technology etc., have widened the geographical area of markets. They have enabled even the most perishable goods to travel longer distances. Four stages are noticed in the geographical development of markets.

Family markets: First, family markets existed where exchanges were confined within the four walls or among the members of a family.

Local market: In this one, buyers and sellers belong to a small local area such as town or village.

National market: A national market exists for certain commodities. It may consist of urban and rural markets. Urban markets cover metropolitan city and town areas. Urban markets are characterized by high density of population and developed infrastructure. These markets are highly integrated in terms of communication and physical distribution facilities. On the contrary, rural markets exist in the vast rural areas. Rural markets have a low density of population without any significant infrastructure. Rural areas generally unintegrated markets.

World Markets: For certain commodities, the whole world is regarded as one market. Many companies go global with a view to achieving maximum growth potential. The United States today represents roughly 25 per cent of the total market for all products and services.

III Magnitude of Selling:

On the basis of quantum of selling, markets may be classified into two categories namely, wholesale market and the retail market.

Wholesale markets, Wholesalers directly buy from the manufacturers. The product is handled in large quantities. Moreover, specialized operations become necessary for the performance of different services. They enjoy facilities of storage, handling and banking services. Wholesale markets are well connected by roads and railways.

Retail markets are owned by the retailers who sell to ultimate consumers or users. Retailers usually deal in all types of products and serve the needs of a local area.

IV On the basis of time:

On the basis of time, market can be classified into (i) very short period markets (ii) Short period markets and (iii) long period markets.

Very short period markets: These markets are highly perishable goods like fruits and vegetables are of very short period. Prices are charged according to the intensity of demand. In very short period market, no attention is paid to increase or decrease the suppliers.

Short Period markets: In short period markets, some consideration is paid for the supply to meet the demand. But sufficient time is not available to cope with demand.

Long period markets: Attention is paid to increase or decrease the supplies depending upon changes in demand. Sufficient time is available to give effect to production. Under the conditions of long period markets, supply controls the demand factor. In the long run, price meets the marginal cost of production.

V On the basis of products in trade:

On the basis of products in trade, markets may be basic goods market, intermediary goods market and consumer goods market.

a) **Basic goods market:** Basic goods are those goods which are very basic for industrial and infrastructure development in a country. Examples are cement, chemicals and steel etc.

Products of basic goods come under basic industries category. The development of the basic goods market depends upon the development of the consumer goods market.

b) **Intermediary goods market:** Machines, machine tools, equipment, components and spare parts from the intermediary goods market. The manufacturer of television sets buys component and assemble them into television sets. Without producing every component in the television set, he may choose to buy components from other manufacturers.

c) **Consumer goods market:** Goods are required for direct consumption of human beings or for direct use in the form of raw materials for industries. Consumer goods market is further divided into non-durable goods market and durable goods market. Bathing soaps, detergents, toothpaste etc., constitute non-durable market. Electronics, house hold appliances, passenger cars etc. Form durable consumer markets.

BUYING

There is an old saying that "Goods well bought are half sold". The marketer has to buy or produce what is wanted by consumers. "Good buying helps a merchant to secure goods which he can sell profitability at a price attractive or acceptable to customers"

Good buying depends upon the perfect knowledge of consumer's demand – (a) Direct contact with customer; (b) consumer research; (c) sales force; and (d) trade journals are important sources of information about customers and their preferences. Buyers seek sellers out who have the products needed by them. Buyers may be –

(i) Manufacturers and other business houses which purchase raw materials, supplies parts and equipment for use in their operations.

(ii) Middlemen like wholesalers and retailers who buy goods for resale.

(iii) Non-business organizations (institutional buyers) who buy for carrying on their operations; and

(iv) Ultimate consumers who buy for their personal use and for their family members.

Definition of Buying

In the words of Pyle, "Buying comprises all those activities involved in finding a suitable source of supply, selecting the desired quantity, quality, grade, style and size coming to an agreement with reference to the price, delivery date and their conditions"

Factors to be considered in buying

There are two types of buying namely, (i) buying for consumption and (ii) buying for resale. Buying for consumption includes purchase of raw materials for manufacture of finished goods, buying by public and private institutions and the ultimate consumers. Wholesalers and retailers purchase finished goods for resale. When goods are purchased for resale, certain factors should be carefully considered:

1. Estimating the demand
   Before buying, one should determine the kind, quality and quantity of goods to be bought. Records maintained in the business and research conducted in the market for products help estimate the demand.
2. Sources of supply
3. Market news
4. Seasonal variation in demand

Classes of buyers

Buyers can be classified into the following groups, depending upon the purpose of the purchase.

1. ***Manufacturers:*** They purchase goods for production. According to the size of production the manufacturers buy large quantities. Manufacturers buy raw materials, equipment, machinery, spare parts etc. They use them in their operations. The manufacturers must be intelligent buyers. They must collect the market information of the purchasing goods. They must have the technical people to get the best equipment and machinery. Manufacturers aim at producing the best quality products, at a cheaper rate.
2. ***Middlemen:*** There are two types of middlemen. They are wholesalers and retailers. They buy goods for sale. Wholesalers buy large quantities. They sell the product to the manufacturers or retailers. The retailers buy small quantities and sell them to the ultimate consumers. Middlemen study the wants, needs and preferences of the consumers. According to the tastes of the consumers the goods are bought. When the middlemen purchase goods for sale, they must consider the following points:
   a. They must estimate the demand
   b. They must know the sources of supply
   c. They must know the market news

d. They must know the seasonal variation in demand, which depends on the distribution of income, custom, festival, behavior of the people, consumer's preferences, fashion etc.

Planning the purchase of goods

In planning of purchases there are three points. They are:

a) Preparation of budget
b) Fixing the Rate of Turnover
c) Accounting for Changes in Fashion and Prices.

a) ***Preparation of budget:*** The manufacturer should forecast with reasonable amount of accuracy the probable sale in a given period of time in the future. It is the management that estimates the probable sale during a given period of time. The management decides the required rate of production to meet the estimated sales. The management has to prepare the purchasing budget by estimating the expected demand, expected sales and probable production. Thus preparing budget gives an estimate of the quantity of goods bought with reference to quality requirements. Budget is a strong plan of operation for efficient purchasing.

Budget is prepared normally one year and forecast on the basis of the past purchase and sales records. It is a money budget. There is close relation between purchase budget and sales budget.

The marketing manager of manufacturing company prepares a list of materials for the production according to the production schedule. Then he gives orders. Before that he must know the benefits of large-scale buying. He can order for large quantities if there are storage facilities.

The budget must be suitable under inflationary condition and so it must provide for contingencies, anticipated rising prices, rising cost etc. While preparing the purchase budget the management must remember the following points.

1. Balance stock against sales
2. Minimize investment in inventory
3. Help finance department to plan and buy materials
4. Help buyers in purchasing
5. Increase enterprise's profit.

Middlemen prepare a basic stock list. This contains the items of stock and also shows the minimum quantity of stock to be kept. Depending upon the past sales record, the stock list is prepared. If there is any change in the rate of item, the stock list is revised. The revised lists are useful whenever items are added or dropped from the stock.

b) ***Fixing the Rate of Turnover:***Profit is the measuring rod of the success or failure of an enterprise. Sales determine the profit. Hence profit depends on sales; profit is also determined by the rate of turnover. According to Clark and Clark, stock turnover is "the number of times the average inventory of stock is sold (and replaced) during a certain period, as usually one year." Quicker the sale of products, greater is the scope for profit in a firm. The rate of turnover refers to the number of times the average inventory of stock is sold i.e.; the speed in which the stocks are sold. The rate of stock turnover is also known as the barometer of merchandising efficiency. The purpose is to find out whether the product is slow or fast moving, and on this basic decisions will be taken.

Rate of Stock turnover = $\frac{Cost\ of\ Gooods\ Sold}{Average\ \ Stock}$

Average stock = $\frac{Opening\ \ Stock + Closing\ \ Stock}{2}$

The rates can be improved by maximizing sales. A good or desirable stock turnover rate is based on efficient buying and goods sales policies.

c) ***Accounting for changes in fashion and prices:*** A well-defined purchase plan gives importance to fashion changes and price changes. In brief:

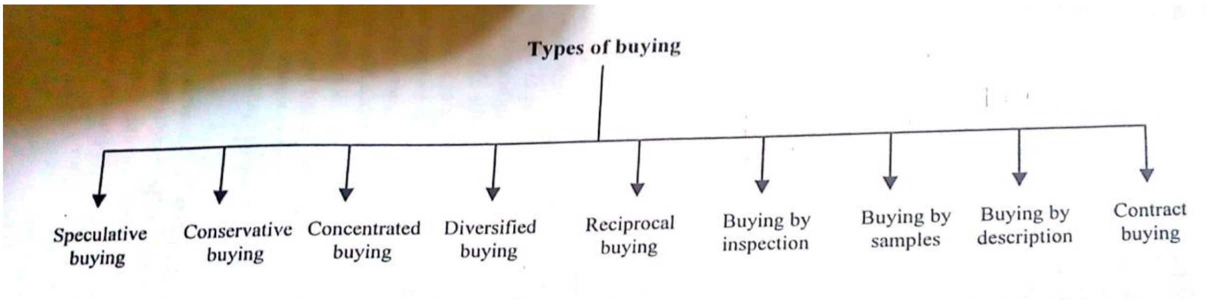
(i) ***Changes in Fashion:*** Fashions are changing day by day. It is the most uncertain. The standard of living of the people in all the countries is increasing. Hence people require changes in each and everything. That is the reason why fashions and tastes change.

Clark and Clark defined fashion as a style movement. When a style is widely accepted it remains as a fashion. If somebody makes a change, then others also follow that style. Thus one fashion is replaced by another. As such it is a very different task for the marketer to calculate the fashion trend. Every marketer must carefully observe the style movement to be on the safe side, he has to keep in touch with the latest fashion. Hence he has to keep a close watch over the items, colours and designs which are selling well. The marketer, i.e., the producer or the middleman keeps a minimum stock of fashion good, otherwise he will incur losses if the fashion changes.

(ii) ***Changes in Price:*** The price-line trend can be classified into three. They are falling price, stable price and rising price. Generally producers and middlemen wish rising trend in prices, so that they can make good profit. On the other hand consumers want falling trend. Rising price trend leads to fall in demand.

Types of buying

The purchases made by manufacturers, wholesalers, retailers, dealers, institutions and individuals considerably vary for various reasons. Hence, buying can be – Speculative buying, concentrated buying, diversified buying, reciprocal buying, buying by inspection, buying by samples, buying by description, contract buying etc.



1. Speculative buying

In speculative buying, the goods are bought in large quantity at a lower price so that they could be resold at a higher price in near future. When there is a rising trend in the prices, speculative buying is adopted. This type of buying policy is suited for a seller's market when supplies are short. Bulk purchases enable the buyer obtain quantity discounts, and enjoy economies of transport costs. But it involves considerable locking up of capital and space. Moreover, there is a risk of loss due to obsolescence, deterioration, fire, theft and sudden changes in price. This method is disadvantageous when prices are continuously falling. Speculative buying is quite common in stock market.

2. Conservative buying (Hand to mouth buying)

Under this buying is made strictly on the basis of current trends. This is also known as *hand to mouth buying* or *small order buying* or *current need* buying. The unique features of hand to mouth buying are as follows:

(i) This is a policy of buying only for immediate sales or only for immediate requirements.

(ii) This policy involves recurrent orders, receipts, payments, repeated checking and inspection, etc.

(iii) It involves higher cost of purchases since discounts allowed are less.

(iv) Conservative buying is suitable when prices fall.

(v) Hand-to-mouth buying increases the stock turnover and reduces the risk.

3. Concentrated buying

Under this type, purchases are made from a limited number of sources. As the buyer patronizes a limited number of suppliers, he gets the status of a privileged customer. Consequently, he gets better services, special treatment, prompt delivery, reasonable price, quantity discount, cheaper freight etc. However, concentrated buying suffers from certain limitations.

(i) Dependence on a single supplier is risky. If the seller fails to meet the needs of the buyer, it may paralyze the business.

(ii) In concentrated buying, as goods offered are few, choice of goods is limited.

4. **Diversified buying (Scattered buying)**

Under the system of scattered buying, purchases made from a large number of sources. The buying plan is, therefore, flexible. The following are the merits of scattered buying:

Merits of Scattered Buying:

(i) As the buyers rely on a large number of sources, competiton among suppiers brings better terms.

(ii) Even if one supplier fails to supply the required goods, the buyer can buy an alternative source.

(iii)In scattered buying, the benefits of wide selection of goods are available.

In spite of the above merits, scattered buying suffers from some drawbacks. The benefit of quantity discount is not available to the buyer. Moreover, the cost of handling and transport may be too high. So, it is advisable for the buyers to confine their purchases to two or three sources.

5. **Reciprocal buying**

Reciprocal buying means two business units agree mutually to buy from each other.It is based on the principle, "*if you buy from me, I will buy from you*". For example, reciprocal was agreed between Mineral and Metal Trading Corporation of India (MMTC) and a Yugoslavian company. This involved an import of 50,000 tonnes of rails by the MMTC and the purchase by the Yugoslavian company of iron ore concentrates and pellets of the same value from MMTC.

Demerits of reciprocal buying

The policy of reciprocal buying suffers from the following demerits.

(i) This system of buying may reduce the choice of suppliers, quality of products.

(ii) Benefits of better services, low prices and other favourable terms may not be available to the buyer.

6. **Buying by inspection**

Under this method, the buyer decides to buy only after a careful inspection of the goods. Generally, buyers have the right to examine the goods. Moreover, 'the caveat emptor' (Let the buyer beware) principle insists that the buyer has to be careful while buying goods. Speciality goods like machinery, equipment etc., needs a careful inspection by the buyer in order to ascertain their suitability. Perishable farm products vary in size and quality and a sample of them may not indicate their true representation. But at the same time, displaying the whole lot of goods at the buyer's place will be impractical. According to Maynard "it may add to the expense of the seller in requiring his merchandise to transport to the market". In short, buying by inspection is limited to goods where: (i) Standardization of goods is not possible (ii) goods are perishable (iii) the rate of purchase is changeable; and (iv) where display of goods for inspection stimulates buying.

7. **Buying by samples**

A sample is a representation of the goods offered for sale. The seller guarantees that goods meant for sale correspond with the sample shown in all respects. Sample obviates the need for inspection of the whole lot of goods stocked. For example, in sale of agriculture produce such as cotton, grains, chillies etc., samples are shown to the buyers. If samples are found satisfactory, orders are placed. While taking samples the following factors should be considered:

(i) Samples are collected at a random.

(ii) Samples correspond with the quality of goods offered for sale.

(iii) A fair quantity of sample is collected so as to adequately represent the whole lot of goods.

8. **Buying by description**

Goods are also bought by description. Buying by description is possible where the features of the products are described in a catalogue, circular, etc. When catalogues are circulated among the buyers, no unit of the product need be present to stimulate buying. If goods are sold by description, then the goods must match with the description as found in the catalogue. Purchase by description has widened the scope of market. It facilitates distribution of goods even in foreign market. When goods are bought on the basis of description, fair dealing is essential on the part of the seller.

9. **Contract buying**

Under contract buying, both the buyer and the seller enter into a contract. A contract stipulates various conditions with regard to sale or purchase. Particulars such as price, mode of delivery, mode of payment of price, timing of supply etc., are clearly specified in the contract. Manufacturers, wholesalers and dealers enter into long-term contract with the suppliers.

For example, ‘Wipro Technologies’ has got $300 million contract from General Motors for a five year period and ‘Tech Mahindra’ has bagged General Motors multiyear multi-billion dollar IT contract. It is yielding revenue of $150 million over a period of five years.

Assembling

Assembling starts after purchase of goods. Assembling means bringing together goods of the same type from various sources of supply to a particular place.

Assembling and buying do not mean one and the same. Assembling indicates concentration of goods of the same type scattered in small lots. But buying involves a variety of products. Further, buying involves transfer of ownership of the goods while assembling involves creating and maintaining of stock of goods.

Need for assembling

Assembling assumes importance in marketing. The need for assembling arises out of the following factors.

(i) Goods are produced by numerous small manufacturers scattered over a wide area.

(ii) Goods are non-standardised in nature and they vary greatly in quality.

(iii) Supply of goods is seasonal.

(iv) It is necessary for a trader to collect and store goods for the convenience of his customers.

(v) Assembling of different goods offers customers a wide choice of goods.

(vi) Collection in large quantities makes further processing and handling of goods economical.

Advantages of assembling

(i) Assembling ensures a steady supply of goods to customers.

(ii) When goods are collected in bulk, standardization and grading of goods become economical.

(iii) Assembling results in saving in transportation costs and handling charges are considerably reduced.

(iv) Assembling of raw material overcomes the problem of stoppage of production for want of materials.

(v) Market for goods assembled is widened.

(vi) Assembling helps in getting a variety of goods in the market at reasonable prices.

Disadvantages of assembling

(i) The process of assembling is not simple as it may appear. It requires sppecialised knowledge about the sources of supply scattered over wide area.

(ii) Where the products are seasonal or irregular, holding of stock is difficult.

Selling

Selling is the crown of all marketing activities. The object of selling is to dispose of goods at satisfactory prices. Selling involves transfer of ownership of goods to the buyer.

Selling is the act of transferring possession and ownership of goods by sale. It is also the process of persuading the prospective buyers to buy the product.

Selling is defined as "the personal or impersonal process of assisting or persuading a prospective customer to buy a commodity".

According to Pyle, "Selling comprises of all personal and impersonal activities, finding, securing and developing a demand for a given product or service and in consummating the sale of it".

Methods of Selling

Selling may be performed in anyone of the following ways

Selling

Personal Selling	Sale by Advertisement	Sale through vending machines	Sale by Sample	Sale by description

(i) ***Personal Selling:*** As already stated, selling is the personal or impersonal process of assisting and persuading a prospective customer to buy a product or service. People are employed to make direct contacts and persuade customers. The contract between the buyer and the seller may be in person direct or over telephone.

(ii) ***Sale by advertisements:*** Sales through advertisements is an impersonal method of selling. Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Advertisements create demand for the products or services through written, printed or spoken words, pictures, diagrams and symbols. Advertisements generate sales immediately or at some time in the future. Advertisements are called *printed salesmanship*. Advertising through radio and television may be called mass salesmanship.

(iii) ***Sale through vending machines:*** Sale through vending machines has become quite popular in India. The current market potential for sale through vending machines is about Rs. 3,000 Crores. For people leading busy lives, buying through vending machines is quite convenient. There are about 65,000 vending machines in the coffee and tea segment alone. In India, vending is primarily restricted to the food and beverage segment. Softdrinks, soups, juices, snacks and chocolates use vending machines. However, there is a tremendous potential for vending in our country. In markets abroad, canned food products and even bottled water are dispensed easily. Segments that have taken vending in the U.S.A. include food, beverages, stationery, merchandise such as cards, gifts, toys, music entertainment, etc. The following information shows the share of products through vending machines in India.

1. Tea and Coffee 85%
2. Soft drinks 10%
3. Soups 3%
4. Snacks/packaged Products/Chocolates 2%

(iv) ***Sale by Inspection:*** Sale by inspection is the oldest form of sales. In modern days too, the seller allows the buyer to inspect his stocks before making the actual purchase. In this method, the principle of caveat emptor (let the buyer beware) operates. Sale by inspection is limited to goods of the following nature.

(a) Goods lack standardization.
(b) Goods are highly perishable.
(c) The rate of purchase is changeable.
(d) The idea of self-service holds good.
(e) Goods displayed in the space available for sale stimulates inspection by buying.

(v) ***Sale by sample:*** A sample is a specimen of the goods stocked. Where the whole lot of goods offered for sale cannot be presented before the buyer, a small portion representing the bulk of goods is shown. For example, in the sale of grain, it is not possible for the prospective buyer to see personally every unit offered for sale. Several handfuls taken from grains stocked are shown as sample. While taking samples, the following should be considered.

(a) Samples should be taken at random.
(b) Samples must duly represent the quality of the whole lot.
(c) Sample must be of a fair quantity taken from the bulk.

(vi) ***Sale by description:*** When goods are sold by description, it is desired that goods must be standardized. Fair description of goods is essentially for a successful sale under this method. Sale by description widens the scope of marketing in foreign trade where prior inspection of the commodity is not possible. Generally, catalogues are used to describe consumer durables like furniture, television, refrigerator, washing machines, etc. Catalogues describe the products in detail to potential customers. They create a positive impression on them. Now-a-days e-catalogues are widely popular. E-catalogues are digital equivalent to product and service manuals and they can reach any part of the world. They make a presentation with visual effect.

Points to remember

- Marketing includes those business activities which are involved in the flow of goods and services from production to consumption
- **Functions of Marketing**
    1. Functions of exchange
    2. Functions of physical supply
    3. Facilitating functions
- **Classification /Kinds of markets**
    - (i) Nature of purchase and consumption
        - (a) Consumer markets
        - (b) Industrial markets
    - (ii) Geographical coverage
        - a) Family markets
        - b) Local market
        - c) National market
        - d) World Markets
    - (iii) Magnitude of selling
        - a) Wholesale markets
        - b) Retail markets
    - (iv) On the time period; and
        - a) very short period markets

b) Short period markets and

c) long period markets.

(v) On the basis of products in trade.

a) Basic goods market

b) Intermediary goods market

c) Consumer goods market

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

13. **Introduction - Product planning and development**
14. **Importance of Product planning**
15. **Objectives and Significance of Product Planning**
16. **Process of Product Development**
17. **New Product Development**
18. **New Product Development Process**
19. **Stages of New Product Development**
20. **Diversification and simplification of Products**
21. **Advantages of Product Simplification and Product Diversification**
22. **Distribution Channel**

Introduction - Product planning and development

Advances in science and technology have changed the life styles of people, their food habits, standard of living, social customs, expectations, etc. People are seeking better and improved products that are easy to use, occupy less storage space, are aesthetic and provide value for money. The increasing expectation of customers is forcing companies to concentrate more on product innovation.

For higher levels of growth, firms look beyond their product lines, product positioning and branding decisions. Product innovation is a major component of the product policy of a firm. Firms develop new products to enhance their product mix by adding new products or by increasing the depth of their product lines. A good product is the primary ingredient that ensures a continual growth and prosperity for a firm. Therefore, companies invest heavily in introducing new products and improving the existing ones. Organizations take new product development initiatives to meet different objectives. According to Booz, Allen and Hamilton, a new product can be categorized as

- **New products to the world:** They are new products and have not been introduced earlier and are expected to create a new market.
- **New Product lines:** New product lines help companies enter with a new product in an established market.
- **Additions to the existing product lines:** New products that contribute to the existing product lines of the company. Products that are introduced in the market with slight variations like size, flavor, color, packaging, etc. For example, new improved lifebuoy, Chhota (small) coke.
- **Improvement and revision of existing products:** They include improved versions of the existing products that provide improved performance. These products usually improve the perceived value of the existing product and replace them.
- **Repositioning:** Targeting the existing products to new markets or newer market segments.
- **Cost reduction:** Introducing new products that provide the same benefits at a lower cost.

Meaning and importance of Product planning

According to William J.Stanton "Product planning consists of all activities which enable producers and middlemen to determine what should constitute a company's line of products. Ideally, product planning will ensure that the full complement of a firm's products is designed to strengthen the company's profit position:.

In other words, product planning involves decisions regarding the product mix of goods and services which the firm will produce and sell. Product planning is concerned with decisions regarding product policy and strategies outlining the objectives and guidelines for the target market. An entrepreneur has to take decisions regarding what products to produce, the quantity, quality, target market and so on. These decisions involve a thorough analysis and preferences of the market. In order to maximize profits, planning must take into account the estimation and analysis of potential markets, estimated sales volume, search and screen new products, budget costs, modify existing products and scrap or abandon unprofitable products.

Product planning involves taking critically important decisions regarding the following:

(a) Present and future changes in consumer demand should be addressed. A market survey should be conducted in order to ascertain consumers' needs.

(b) New products or improvements in existing products may be essential.
(c) Abandonment of unprofitable products.
(d) Expansion or simplification of product line.
(e) Designing the qualities and distinctive characteristics of the product to tailor it to consumer needs, with emphasis on style, size, colour, material, quality and so on.
(f) Packaging, branding and labelling for each product.
(g) After sales services, warranties and amenities to be supplied along with the product.

Product planning is a general term concerned with the search for new products, new innovations and the improvement and abandonment of existing products. Therefore, product planning consists of the following stages:

(i) Research and development of new products.
(ii) Introduction of new products.
(iii) Improvement of present products to meet consumer requirements.
(iv) Abandonment or scrapping of unprofitable products.

Objectives and Significance of Product Planning

The choice of a product of a firm must be correct, both for the firm as well as for the target market. From the point of view of the firm, a product should be easy to manufacture. Furthermore, it should be profitable and economical in the fields of production and distribution. From the point of view of customers, a product must be capable of satisfying their needs and wants. Product innovations are a result of changes in fashions, tastes and preferences of the people, increase in competition and improvements in technology. Thus, present products are replaced by improved ones, new products are added to the product mix, existing products are abandoned or new uses are discovered for current products and improvements are brought about in the design, package, brand, label and so on. The objective of product planning is to innovate and lead and not imitate or follow a competitive firm.

Product Development

Product development is necessary for survival and growth of every firm. The development of new products is a key element in the marketing programme of a business firm. It must continuously provide new and improved products to retain old customers and to win new ones.

Product planning and development requires a sound organizational framework, since it is an important and on-going function. The dedicated, concerted, coordinated efforts of the marketing, engineering, research and development and all other departments is required to draw up and implement sound product policies and strategies. A small firm may require the help of external consultants for expert advice to frame proper policies. Sometimes, a product planning or merchandising manager may be recruited for this purpose. A product planning committee consisting of representatives of the concerned departments may be necessary to be set up in the organization. In a large multi-product company, a new, or improved product may be decided upon by the organizational set-up for product planning and development in the firm. The set-up which is the most efficient and effective will be dependent upon the size, product mix, managerial capabilities and other aspects of the firm.

Process of Product Development

The formal and systematic procedure and the exact amount of time spent differ from one firm to another. Generally, the stages in product development are as follows:

(i) **Generation of New Product ideas:** Product planners have to dream or visualize an idea. The conception of an idea is the beginning of product planning. It may originate inside the firm from the management, sales personnel or the R&D department. If it originates from an external source it could come from scientists, professionals, customers, dealers, competitors, consultants, and so on. The source of the idea should be immediately rewarded so that more ideas are stimulated in the future.

(ii) **Preliminary Investigation of Ideas:** Next, a quick review is conducted of product ideas to determine which ideas should be further considered. Some may be impractical or commercially not viable or simply not feasible. Some may not be consistent with the goals, objectives and standards of the firm. All these should be rejected. Preliminary investigation or the screening has to be done very carefully. If any idea is passed off as a good one, it could have long term implications for the firm. If proper screening is not done, a potentially good idea may be rejected or a bad one may be implemented.

(iii) **Detailed Survey and Analysis:** The ideas found to hold promise after the stage of screening are then thoroughly and rigorously analyzed. Such an analysis must confirm that the idea is commercially viable with regard to potential demand and forecasted revenue and expenditure, time involved to develop it; feasible with regard to the financial, human, technological skills and other resources required; acceptable to future consumers and profitable to the firm. Laboratory tests to determine technical feasibility along with a cost-benefit analysis to judge profitability of the idea. A properly conducted marketing research survey can reveal the sales and profit potential, target market, buyer behavior as well as competitors' strategies.

(iv) **Product Development:** After the product idea or concept has been tested and surveyed and found to be viable, feasible and profitable, the idea is converted into a concrete physical form. The product is developed and produced on a sample basis. The marketing department researches the desirable characteristics features of the proposed product depending on the needs and requirements of the potential target market. Next, the engineering department must convert this into a product specification with regard to the size, shape, design, weight, color, etc. of the product. For this, it will have to specify the raw materials, parts and so on which will be required to produce it.

(v) **Test Marketing:** Consumer testing is the grounds for selecting the product finally, to be mass produced and distributed. A sample of the product is tested in a select market on consumers. This testing is required because it provides essential feed-back information to the manufacturer, regarding improvements and modifications which may have to be incorporated in the product. Since only a sample has been tested on a sample population, this stage does not guarantee the success of the product.

(vi) **Commercialization:** After the product has successfully cleared the market test, all hurdles in the initial stages are over. A firm can begin full scale production and marketing of the new product. The production department should carry out the recommended, necessary modifications and the marketing department should launch a promotional campaign for its mass distribution. It may be necessary to appoint additional sales personnel. Decisions regarding choice of suitable channels of distribution channels should be taken. The product is finally born and its life-cycle begins.

New Product Development

A new product is any product, which is viewed as new by the customer. It could be the consequence of the repositioning of existing products; or offering the existing products at lower prices; or making improvements in the existing product line; or beginning a totally new product line. There are several types of new products. Some products are new to the market, some are new to the firm and some may be new to both. Some are minor modifications of minor products and some are completely innovative. The factors contributing to the new product development process are changes in customer preferences, technological changes and government policies.

New Product Development Process

The process of product development just does not occur on its own. It must be planned. Dynamic firms plan their innovations five to ten years in advance. They have a clear idea of exactly what product developments they intend to implement and what new products they will require to cater in the demands of their customers. Experience has shown that the most successful firms which develop marketable products are the ones which have formally acknowledged the function of product planning and development.

Stages of New Product Development

The stages in the new product development process are as follows:

1. **Idea Generation:** The process of new product development begins with the search for product ideas. In order that it succeeds, it is important that this search is taken seriously and not casually. The top level management should outline the corporate goals and objectives for the new product and the role of the new product development in the growth strategy of the firm. Common sources of new product ideas are competitors, R&D scientists, employees, trade channels, top management, changing customer needs as well as latest trends in the consumer markets.
2. **Identification of Prospects and Definition of Target Markets:** The second stage is concerned with the identification of prospects or target customer groups. It is important for the firm to define its target customer group in specific terms. The cost of serving and this group should be examined because these factors help the firm to narrow down its decision field.
3. **Concept of Development Process:** This stage is concerned with developing product concepts as well as the testing of them. Certain firms avoid this stage in the mistaken belief that if they have customers, the target group will develop the product by themselves.
4. **Feasibility Analysis:** This study calls for details regarding the following:
   (a) Estimating the demand of the target market at different price levels
   (b) Forecasting the sales based on demand estimation and a competitive analysis with a similar product of a rival company.
   (c) Estimating the total cost of serving the target market segment.

(d) Calculation of the break-even price and the sales volume depending upon the cost and forecasted sales revenue.

5. **Product Development**: At this stage the product ideas move from the concept and design levels to the departments of R&D and manufacturing, to be physically developed. These departments should consider the customer feedback in development of the actual, physical version of the product. After the product has been physically developed, it should be rigorously, functionally and consumer tested. Functional tests are laboratory tests and field tests ensure that the products will satisfy the needs and wants.
6. **Test Marketing:** At this stage the new product is tested on the basis of four parameters, viz., trial, first purchase, adoption frequency and the volume purchased every time. There are great risks involved in test marketing, so this stage is avoided by numerous companies. However, test marketing can yield essential information regarding customers, dealers, marketing mix and strategy.
7. **Commercialization:** If favourable results have been obtained after the product has been test marketed, it is time to commercialize the product. The launch plan must keep in mind timing, place and the strategy in terms of price, promotion, distribution and product features, when it is being framed. Every new product which is successful will increase the level of the company's revenue.

These stages may be changed as and when required. Certain stages may also be eliminated if they are not considered essential. To reduce the time taken by the process many companies complete several steps at the same time. Many industry leaders view new product development as a proactive process where resources are allocated to identify market changes and seize upon new product opportunities before they occur. Moreover, many industry leaders view new product development as an ongoing process in which a new product development team is always looking for opportunities.

Protecting New Products

When developing a new product many legal questions arise, including, how this innovation can be protected from imitations: can the innovation be legally protected; how long can it be protected for; and the cost involved. The answers are complex due to the fact that several legal concepts may be applicable to any given innovation, product, process or creative work. These include patents, trademarks, copyrights, trade names and trade secrets. It is essential to know which are applicable and when they are appropriate. This will vary from jurisdiction to jurisdiction. The advice of a lawyer who specializes in these matters is essential and must be obtained. Generally, copyrights are fairly easy to obtain. However, they are applicable only in certain cases. Patents involve complex claims and approval processes, have a marked tendency to be expensive to obtain and even more expensive to defend and preserve.

Product life cycle

Another perspective on examining the product mix is to study the life cycle phase of each product. Each product must go through a life cycle. This means that it experiences introduction, growth, maturity and decline during the period of its existence. However, there will always be exceptions to the rule, when the product may not follow this path. Certain products may register a sharp growth and then a sharp decline or they may remain in the maturity phase for a considerably longer time and may never die out or face a decline. While tastes and preferences and changes in fashions can be grouped in the first category, the second type consists of products in a closed and sheltered market or in a monopolistic market. There are commodities like steel, cement and food products where the demand remains inelastic as compared to other manufactured goods. An important factor to be considered is that profits peak before the decline of a product. Profits rarely feature in the introduction phase. They are present in the growth phase and when the product enters the later part of the growth stage or its early maturity, they begin to decline.

Stages in the Product Life Cycle

The product goes through five stages, viz., introduction, growth, maturity, decline and abandonment. As the product goes through the different stages of its life cycle, its sales volume and profitability will register a change. The emphasis laid by the management on the marketing mix elements will also register marked changes from one stage to another.

1. **Introduction Stage:** The first stage of a product life cycle is the introduction stage. It is also called pioneering stage where competition is minimal or non-existent, prices are considerably high, markets are limited and the product innovation is not so well known or talked about. The growth in sales volume is slow due to the lack of knowledge on the part of the customers as well as the problems faced in delivering the product to the customers. The expenditure incurred on advertising and other promotional techniques is high. Prices are generally high during the introduction stage on account of lesser volume of production, technological difficulties and heavy promotional expenditure.

2. **Growth Stage:** The product grows in popularity and moves into the second phase of its life cycle, i.e., the growth stage. At this stage, the demand for the product increases rapidly, prices fall, competition increases and distribution problems are smoothened out. The management focuses its attention on improvement of the market share by deeper penetration into the present markets combined with an entry into new markets. At times marked improvements may take place in the product, during this stage. Promotional expenses remain high though they fall as a ratio to the volume of sales. When this occurs and the ratio of promotional expenditure to sales registers a decline, it leads to an increase in profitability.
3. **Maturity Stage:** The product enters into the maturity stage when competition further intensifies and the market is saturated. In this stage, the profits will begin to decline due to competition and increase in marketing expenditure. The prices have to be decreased on account of competition and innovative technology. This stage may last for a long period especially for products having long-run demand characteristics. However, the demand of the product has to register a decline when new products are introduced into the market and fresh completion has to be faced. In this stage, emphasis must be laid on product differentiation, identification of new segments and product improvements.
4. **Decline Stage:** This stage is characterized by the gradual displacement of the product by new products or by a change in the consumer buying behavior patterns. The sales register a sharp decline and drastic cuts must be made in promotional expenditure. The decline may be rapid so that the product goes out of the market or it could be slow if new uses of the products are discovered.
5. **Abandonment Stage:** Most firms abandon the product so as to put their resources to better use. The demands of the people change. New innovations enter the markets to take the place of the abandoned products. All possible attempts should be made for the postponement of the decline stage. If the decline is rapid, the product should be abandoned and new products processing better, improved and unique features should be introduced. If this is impossible or not feasible on account of heavy losses being incurred by the firm, the manufacturer may merge his company with a new or established stronger firm.

Diversification and simplification of Products

An organisation has to continuously evolve to create and modify an offering to stay in the market. With time, consumer preferences change and if an organisation fails to meet the needs and satisfy the wants of the target market, its products will become outdated. For example, Nokia had to face severe challenges and had to be sold off as customers were offered a better offering that exceeded their expectations. It continued with its ‘symbian’ operating system while majority of the consumers preferred ‘android’ and ‘apple’ operating systems. Nokia since losing majority of its market share had been striving to regain that lost position by introducing phones with Windows Operating system and also android operating system on some of its phones.

Basis the market feedback and sales of its products, an organisation adds new products to its product mix or discontinue production of a product.

Product simplification or Product contraction refers to discontinuation of a certain product from a range of products (product mix) by an organisation to thin out the product line.

Product diversification happens when a new product is added to the product mix of an organisation.

Product elimination is withdrawal of a product from the market. Thus, product simplification is achieved by product elimination or termination.

Product simplification and product diversification are opposite to each other. Product diversification is done in two ways – by adding a product to an existing product line and by creating an additional product line. It is done to ensure that the firm doesn’t rely completely on existing products or product lines. For example, Samsung and Micromax added laptops to its existing range of electronic items which is adding a new product to its product line. Mahindra and Mahindra who have their core business of making Tractors and four wheelers started a new product line by getting into two wheeler manufacturing like motorbikes and scooters.

The management of an organisation have to face big challenge in decision making for product simplification and diversifications. There could be a product not doing good and eating away the profits earned by other products. Sometimes these products are marketed for hard core loyal customers. Then there could be products that are profitable but the management believes that the resources used to manufacture this product could be utilised more efficiently to make more profits.

Product elimination is elimination or complete withdrawal of a product from the market. For example, withdrawal of ZEN model of car by Maruti Suzuki from Indian markets. The process of evaluation of a product's performance falls into the below categories-

1) Performance – sales, market share, costs involved in manufacturing, promotion and profit made

2) Product line/mix – if the product elimination will have impact on the sale or other products (product mix), brand, and customer needs. For example, pharmaceutical companies ensure that their product elimination doesn't affects the need in the market.

3) Customer need – ability/ inability of the product to satisfy the need of the customer.

4) Operations – impact on manufacturing activity, marketing, resources, management's and employee's time, support activities line servicing and maintenance.

5) Distributors and Suppliers – how the product elimination will impact the profits and relationships with suppliers and distributors. The organisation has to assess how they will react to its decision.

6) Competitors – will the product elimination give advantage to competitors?

Advantages of Product Simplification and Product Diversification

Advantages of Product Simplification

1) Cost reduction **–** economies of scale are achieved as this process results in discontinuation of a product or a product line. Various costs related to manufacturing, consultation, promotion, and time are diverted towards other products.

2) Better brand image **–** as unsuccessful products, which are not accepted in the market on large scale, are discontinued, the risk of them spoiling the organisations image is reduced to a large extent.

3) Effectiveness in overall activities **–** the organisation can focus on less products which brings specialisation in all the functions of the organisation.

4) Increase in profits **–** Low performing products, which were eating into the profits of successful products, when eliminated increases the overall profits for the organisation.

5) Better relations with distributors **–** the less accepted products in markets when discontinued also help the distributors who usually face the challenge of storing products and convincing buyers to buy the product. The wholesalers and retailers no longer need to invest their time and effort of selling low performing product.

6) Market control **–** lessening the number of products gives opportunity to the organisation in investing in market research and competitor analysis of few products. The organisation gains advantage with precise and concrete information about the target market.

Advantages of product diversification

1) Increase customer base **–** an organisation is always concerned about increasing its market share by increasing its customer base. As preferences of customers keep constantly change, organisations strive to make new products to meet these needs. If an organisation doesn't get into new product development, it itself will become outdated.

2) Efficiency and effectiveness in the organisation **–** a constant effort to create new products always keeps the management and its workforce on its toes. This brings improvement and change in its operations. An organisation always grows with its experience it learns from venturing into new products. There is full utilization of the company's resources to its maximum capacity.

3) Brand awareness into new markets **–** creating new products or new product line gives opportunities to organisations to enter new markets. This helps organisation to increase its reputation in the market.

4) Brand advantage **–** Being successful in a market gives an added advantage to the organisation to launch new products. Hard-core loyalists of a certain brand do not hesitate in buying new offerings from the same brand.

5) Increase consumer standards – creating new offerings that the market demands or will demand in near future also benefits consumers. This also improves the standard of living of the society. For example, Apple launching its iPad product was a revolutionary idea.

Distribution Channel

Choosing a distribution channel is a pivotal decision for your business. What you choose determines how your products are handled and the speed in which they are delivered.

Several factors affect your decision, including:

(a) ***Type of product:*** If your product is perishable or is unstable, you will need a much faster, direct distribution method.

(b) ***Market:*** If your market is consumers, retailers are an essential distribution method whereas business markets made need another approach.

(c) ***Middlemen:*** Depending on your needs and demands on your time, a middlemancan help distribute products quickly and efficiently.

Marketing comes after you’ve made this decision; it’s the strategy you use to reach your distribution channel. Thats why identifying a distribution channel is so essential. Much of your wholesale business will depend heavily on which method you ultimately decide on to reach your customers.

For example, if you decide to use a sales force as your primary means, then much of your focus will be on training and equipping your sales force to position your product or service effectively. You will need to hire staff, coach them and provide key messages. On the other hand, if you choose direct mail, then you’ll focus heavily on obtaining reliable contact lists and having effective call-centres.

Points to remember

- **Product planning**
  - (i) Research and development of new products.
  - (ii) Introduction of new products.
  - (iii) Improvement of present products to meet consumer requirements.

(iv) Abandonment or scrapping of unprofitable products.

- **Process of Product Development**
  (i) Generation of New Product ideas
  (ii) Preliminary Investigation of Ideas
  (iii) Detailed Survey and Analysis
  (iv) Product Development
  (v) Test Marketing
  (vi) Commercialization

- **Stages in the Product Life Cycle**
  (i) Introduction Stage
  (ii) Growth Stage
  (iii) Maturity Stage
  (iv) Decline Stage
  (v) Abandonment Stage

- ***Product simplification or Product contraction*** refers to discontinuation of a certain product from a range of products (product mix) by an organisation to thin out the product line.

- ***Product diversification*** happens when a new product is added to the product mix of an organisation.

- ***Product elimination*** is withdrawal of a product from the market. Thus, product simplification is achieved by product elimination or termination.

- **Advantages of Product Simplification**
  (i) Cost reduction
  (ii) Better brand image
  (iii) Effectiveness in overall activities
  (iv) Increase in profits
  (v) Better relations with distributors

(vi) Market control

- **Advantages of Product Diversification**

(i) Increase customer base

(ii) Efficiency and effectiveness in the organisation

(iii) Brand awareness into new markets

(iv) Brand advantage

(v) Increase consumer standards

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

23. **Meaning for Brand**
24. **Definitions**
25. **Merits of the Branding of a product**
26. **Characteristics of a good Brand**
27. **Branding decisions**
28. **Packaging and Package**
29. **Objects/Importance of packaging**
30. **Functions of package**
31. **Labelling**
32. **Functions of Labelling**
33. **Kinds of Labels**
34. **Marketing risks**
35. **Causes of Marketing Risks**
36. **Methods of handling risks**

Meaning

Products are the children of a manufacturer. A manufacturer shapes and names his products in such a way that they remain distinguished from others. Having a brand name for a product comes quiet handy here. Brand name helps consumers to identify a particular product from a plethora of similar products.

Definition

In the words of Kotler, "a brand is a name, term, sign, symbol or design or a combination of these that identifies the maker or seller of a product or service"

Brand Name

The American Marketing Association defines a brand name as " Brand name consists of a word, letter, group of words or letters, comprising a name which is intended to identify the goods or services of a seller or a group of sellers in order to differentiate them from those of competitiors".

Brand Mark

Brand mark is that part of brand which can be recognized but cannot be vocalised. It includes design, symbol, coloring, distinctive lettering. Brand mark does not form a word nor it can be spelt.

Branding

Branding is the management process by which a product is branded. Branding covers all activities such as giving a brand name to a product, designing a brand mark, establishing and popularising it.

Trademark

When a brand name or brand mark is registered and legalized, it becomes a trade mark. In concise, the registered brands are trademarks. In this sense "all trademarks are brands but not all brands are trademarks"

American Marketing Association defined as "A brand or part of a brand that is given legal protection because it is capable of exclusive appropriation". Symbol ®

Trade Name

A trade name is the name of business – preferably the name of the organization itself. A trade name may also be a brand name.

Patents

It is an exclusive right granted to an inventor with respect to that invention which he discloses to the public. Therefore, patent is like a reward granted to an inventor by the government, in return of his disclosure of his invention to the public, for the benefit of the society. When patent is granted either to an article or a product, such article or product is called 'Patent article or Product'. The person in whose favour a patent is granted is called 'Patentee'.

Modern business world is full of completion and every businessman would try to grab maximum share in the market, not only in capturing the markets by the designs of the product, for better use and comfort. This is done by means of Research and Development and thereby they invent new articles, products, gadgets or designs. Inventions are the results of intellectual activities and as such anything newly invented becomes the intellectual property of the inventor, so that others may not copy or duplicate the same and benefit thereby without authorization.

Copyright

The meaning of copy right is the same as that of patents. However, copy right is applicable to authors and book publishers. It emphasizes the sole right to reproduce literary, dramatics, music or artistic work. The terms of the copyright extent for the whole of the authors' life time and will remain in operation for fifty years after his death.

Merits of the Branding of a product

It may offer several advantages to manufacturers, middle men and buyers. They are given below:

Manufacturers:

1. It gives legal protection against any imitation of the product features
2. It differentiates the products of the manufacturer from those of competitors. It helps in avoiding imitation of products.
3. It helps the manufacturer to segment his markets.
4. It creates goodwill for the business.
5. Advertisement and promotional efforts are easy in case of branded products.
6. Brand loyalty can be built up
7. Different brands may be used to serve different market niches
8. Similar products with different brands can increase sales in many markets
9. Brand identity may itself increase margins and profits by enhancing the perception of quality.
10. It helps in advertising and packaging of products
11. It helps in price differentiation of products.

Middlemen:

1. Dealers prefer branded goods as their merchandise
2. A dealer can stock fast moving goods that are branded and earn higher margins
3. Middlemen can avoid locking of their capital in slow moving brands.
4. Risk involved in selling branded items is less.
5. Distinction can made between mass market and premium market products.

Buyers:

1. It helps consumers to short-list a product that suits their requirements
2. Buyers can be assured of the quality of a branded product
3. Brands help buyers purchase products wherever they want. Shopping is convenient.

4. Branded items need little explanation from the salesmen. So, branding facilitates self service and avoids interruption of sales persons.

Characteristics of a good Brand

1. Branding should be appropriate to the product. Example Good night, Boost
2. The brand name should be easy to remember
3. Brand name should be suggestive example fair and lovely, Protinex
4. It should be easy to pronounce.

Brand Loyalty

It is the strong image a brand has formed in the minds of the buyers. A buyer with a high level of brand loyalty for a product will buy it repeatedly. Even if the product of his favourite brand is out of stock, he will not switch over to the product of the competitor. He will await till it is made available again.

The following steps may be taken to achieve brand loyalty of customers

1. The quality of the brand should be consistently good
2. The price must be competitive
3. The price must commensurate with product benefits
4. Heavy promotional efforts and publicity should be undertaken.

Brand Equity

It signifies the net result of all the investment and efforts that a marketer has put into building a brand. According to Philip Kotler, "Brands have higher brand equity to the extent they have higher brand loyalty, name awareness, perceived quality, strong brand association and other assets such as patents, trademarks and channel relationships".

Merits:

1. The company will benefit from reduced advertising expenses due to the popularity of brands
2. Customers expect the dealers to stock products that have brand equity. So, for such products a marketer can gain an upper hand while dealing with distributors and retailers.
3. Brand equity means the brand has higher perceived quality. So a company can charge a higher price than its competitors.
4. Brand name carries high credibility. So brand extension is quite easy.
5. It defends the company against brand competition.

LOGO

Companies use a logo for easy visual identification along with the brand name. So, a logo provides a symbol of identity. A logo is a pictorial symbol intended to communicate with the consumers. Generally, flags, mascots, pictures, graphic designs or plain alphabet are used as logos.

BRANDING DECISIONS

Manufacturers and marketers take several decisions on brands. These could be broadly divided into two categories namely, brand name decisions and brand strategy decisions.

1. **Brand name decisions:**

A good brand name can contribute to a products' success. So, finding the most suitable brand name is very important. Brand name selection depends upon the product and its benefits, the target market and proposed marketing strategies. While selecting a brand name, the following should be considered;

Brand should suggest the products' benefits and qualities

1. It should be easy to remember, recognize and pronounce
2. It should easily get translated into other languages.
3. It should be capable of registration and legal protection.

Sellers, sometimes, select generic names as brand names. For example, aspirin, nylon, kerosene, linoleum, escalator, thermos are some generic names. Manufacturers may also choose from among the following kinds of brand like Individual brands, family brands, company name as brand name and private brands.

Individual Brand:

It involves having separate brand names for each product. P&G and HUL are well known for their many independent brand names in HUL Lifebuoy, Lux, Pears, Hamam, Dove etc.

Family Brand: (blanket brand)

In family branding, one name is used for two or more individual products. For example Amul for all its dairy products, Maggie for all of its products like sauce, noodles, pickle, jam etc.

Company name as brand name

A company name itself used as brand name under which varied products are marketed namely bajaj, godrej, cadbury's. Johnson and Johnson, Videocon, HMT, Samsung etc.

Private Brand or Middlemen's brand or store brand

A brand created and owned by a reseller of a product or service is known as private brands. The manufacturers leave their products for branding by the distributors. For example Spencer's Stop, Shoppers stop, Food world, Music world, Life style etc.

2. **Brand strategy decisions:**

Brand strategy offers five options to the companies namely Line extension, Brand extension, Multi brands, New brands and Co-brands

Line extension:

It means using a successful brand name to introduce additional items in a given product category under the same brand name such as new favours, forms, colours, added ingredients or package sizes. For example surf ultra, surf excel, excel matic. In Britannia Good day Pista, badam, butter, cashew, cookies etc

Brand Extension:

A company uses its existing brand name to launch new products in the categories. Honda uses its company name for all its products such as motor cycles, generators, passenger cars and marine engines.

Multi Brands:

Companies use separate brand name for each product in the same category. For example HUL for its detergents Rin, Wheel, Sunlight and for Bath soaps lifebuoy, hamam, lux, pears, Rexona and Dove.

New Brands:

A company may create a new brand name whenever it enters a new product category. Japans Matsushita uses separate name for its different families of products Technics, Panasonic, National etc.

Co-Brands:

It is becoming increasingly important. It is also known as dual branding. Two or more well-known brands are combined in an offer. The brand sponsors expect that the brand names will strengthen preference or purchase intention. Each brand co-packaged hopes it might gain new customers by associating with the other brand. For example

Co-branded credit cards. Toyota kirloskar motors and ICICI bank launched a co-branded credit card offering special benefits to customers. That is while using the credit card in filing the fuels the reward points are added and in Toyota service stations the reward points are added.

Packaging

Packaging has become very important part of the product management. Marketers focus on innovative packaging in order to gain a competitive edge over competing products. This is quite true in fast moving consumer goods segment. Consumer goods like processed food, soft drinks, toiletries, cosmetics and other personal care products obtain value addition through packaging.

Packaging and Packing

Packaging is to be distinguished from packing. Packing is wrapping a commodity or bundling it in a way suitable for transporting, storing and handling. But packaging includes all activities in product planning which involve designing and manufacturing the container or wrapper for a product. The container is called the package. It acts as a silent salesman as well as an effective medium of advertisement.

Objects/Importance of packaging

1. To protect the product during transportation from the producer to the final consumer.
2. To prevent persons from tampering the products.
3. To ensure that the packaged goods are convenient in handling.
4. To help identify the product and prevent substitution of competing products.
5. To differentiate the product from that of competitors.
6. To appeal to the buying motives of the purchasers.

Functions of package

1. It performs basic functions like protection, convenience and economy of the product. However, the important functions of package may be state as follows:
2. Package assembles and arranges the product in desired form.
3. It identifies the brand, contents and manufacuter.
4. It protects the product from damages and pilferages.

5. It ensures convenience while handling the product for the distribution of the product from the producer to the end user.
6. It facilitates transporting, storing and warehousing functions.
7. It reduces marketing costs and boosts profits by minimising damages.
8. It acts as the silent salesman by bearing important details of the product.
9. It facilitates retailing.
10. It enables the display of the product.
11. It encourages repurchases.

Factors contributing to the growing importance of packaging

According to Philip Kotler, the factors include self-service, consumer affluence, company and brand image and innovation opportunity.

Self Service:

Packaging facilitates self-service. An increasing number of products are sold as self-service basis. In a super market a shopper can look at the vast range of products within a short time, triggering impulses to buy. Effective packaging attracts/attention, describes the product features, creates consumer confidence, and ultimately forms a favourable impression in the minds of the buyers.

Consumer satisfaction:

Packages ensure convenience to consumers, while the product is in use as consumers are relieved from the botheration of keeping the product safely till it is completely used. Package gives good appearance to the product. Goods packaged are totally dependable as packaging complies with statutory requirements. Purchasing packaged goods is considered prestigious for the affluent consumers.

Company and brand image:

Package help in identifying the brand and its manufacturing company. So consumers avoid purchasing of substitute products. The printed literature on a package explains the product features, directions for use, etc. and enhances its brand image.

Innovation Opportunity:

Both consumers and producers benefit by innovative packaging. Sale of “fevi gum” has considerably increased after introducing it in convenient packages. Ponds has used novel packaging forms when it launched Rexona Deodorant in 1997. Packaging of Rexona deostick is such that it fits snugly in the users’ hand and can be carried easily in purse. Thus innovative packaging brings benefits to consumers and profits to producers. Non-Durable consumer products are sold with attractive packages. Sometimes, a consumer buys a particular product because of its innovative packaging.

Criticism of Packaging

Nowadays, the packaging practices are severely criticised. Their impact on environment and scarce resources and the high expenditure incurred on packaging have come in for a vehement criticism. The following criticisms are levelled against packaging:

1. Packaging depletes the natural resources. Realising this criticism against packaging, modern manufacturers use recycled materials for packaging their products.
2. Packaging is an expensive process. It adds to the cost of the product.
3. Some form of plastic packaging poses health hazards to users.
4. Sometimes, packaging is deceptive and misleads the buyers.

Labelling

It is a part of packaging. Every packaged product has a label pasted or printed on it. Label carries the brand name of the product and provides information about the product’s contents and features. A label makes packaging and branding function meaningful. So, the three functions, namely, branding, packaging and labelling are closely related.

Labels carry very useful information such as the name of the manufacturer, date of manufacture, date of expiry, the ingredients used in the product, maximum retail price, taxes applicable, weight of the product, statutory warning if any, legal restrictions on using the product, ISI mark, Eco mark or any other relevant information.

Functions of Labelling

1. It facilitates easy identification of the product.

2. It stresses the standard and other unique features of the product found in the advertisement.
3. It gives clear instructions to the users regarding proper use of the product.
4. It protects the interest of the consumer by giving maximum retail price of the product, because of which the consumers cannot be exploited by unscrupulous traders.
5. It encourages the repurchase of the product.
6. It acts as a silent salesman by giving important product information to the buyers.
7. It enables the buyer to satisfy himself about the quality of the product he buys.

Kinds of Labels

Labels are classified into four kinds:

1. Brand labels
2. Grade labels
3. Descriptive labels
4. Informative labels.

Brand labels:

Brand labels are exclusively meant for popularising the brand name of the product. Some products like sugar, salt, dates etc. are packaged with brand labels. Cosmetic manufacturers also use brand labels in order to popularise their products.

Grade Labels: .

Grade labels emphasise the standards or grades. It identifies the quality of the product with a letter, number or word. Cloth, leaf tea, dust tea are the products which require grade labels.

Descriptive labels:

It gives objective information about the use, construction, care, ingredients, performance or other features of the product.

Informative labels:

It provides the maximum possible information about the product. Medicines generally have informative labels. They contain product characteristics, method of using the product, side effects, dosage, method of storing etc.

Advantages of Labelling

1. It gives useful information about the product. So, buyers can know about the product before purchasing it.
2. Price variations can be avoided as label specifies the maximum retail price (MRP) of the product.
3. It appeals to the buying motives of the purchaser by giving pertinent details of the product.
4. It enables the buyer to compare the product features of one product with those of substitute products.
5. It guarantees the quality of the product.

Marketing risks

The entire process has to face numerous risks and uncertainties. The aim of marketing is to get something in return for the services offered by the producers; the returns encourage them to increase output and services in the market. At the same time the entire marketing process involves risks. Risk arises due to uncertainties in regard to cost, loss or damage. Such risks are inherent in all forms of business activity. In dynamic, free and competitive economy, marketing risks are inevitable. Marketing risks include changing demand and fashions, price falls, changes in desire and taste of consumers, changes in the marketing conditions and competitions, new and developed inventions, loss from bad debtors, fire, flood, accidents etc. Unforeseen conditions and uncertainties give rise to risks. Marketing risks are the elements of danger; loss from unforeseen circumstances in the future is always uncertain and gloomy. There are risks from the time of production to the time of sale.

What is Marketing Risk?

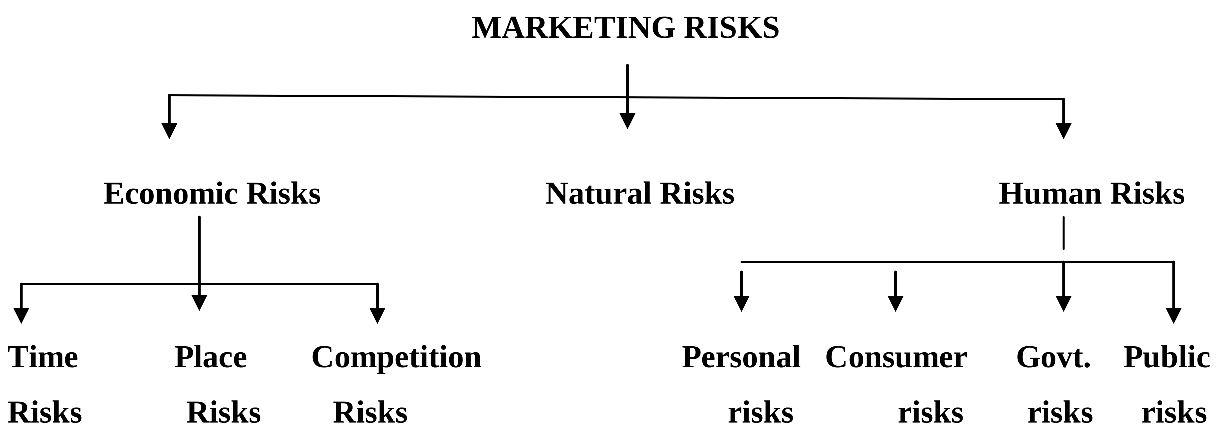
It may be defined as the danger of loss from unforeseen circumstances in future. It implies an element of uncertainty or possibility of loss. The uncertainty or risk is assumed by participants who are in marketing and more particularly by those who take title of goods. There arises a possibility of loss due to unpredictable or unfavorable happenings in the future. Market operators are based more on future conditions than on the present conditions. Exposition of business to the danger of financial losses, which are caused by multiplicity of reasons, in a nutshell, can be termed as marketing risk.

Causes of Marketing Risks

The risk is the result or effect of any unforeseen event on its happening. The business world is dynamic and full of risks of uncertainties. The future is unpredictable and full of uncertainties. Planning alone cannot solve or protect against uncertainties. In modern business, which has become the stage of severe competition, the element of risk is inherent in the marketing transactions. Modern business involved till the moment the product reaches the consumers. The producers and customers are separated by distance. The risk may be classified or grouped into:

1. Risks resulting from changes in market conditions
2. Risks arising mainly or wholly out of natural causes.
3. Risks resulting from human behavior.

1. ***Risks resulting from changes in market conditions:*** Important causes of marketing risks are greatly due to price fluctuations by market conditions. The price changes are chiefly responsible for the loss of expected profits. For example, there is a fall in the demand for electrical fans in the cold season; and fans remain unsold or to be sold at marked down price. This situation affects the producer and middlemen who stock them for the ensuring seasons; they face the loss of profits. At the same time if the season is favorably hot, the situations tend to more and more sales at marked up price. Almost all the producers and merchants have to face such risks caused by market conditions. This type of risks is generally of three kinds : (1) Time risks (2) Place risks and (3) Competition risks.



Time Risk:

The present stage is of mass production, which is in anticipation of demand. Products have been bought in the hope of selling them at a good price, which will realize a profit; but the wholesalers purchase goods from producers for selling them to the retailers, who sell them at a profit to the consumers. But sometimes, there arises an adverse change in the demand from customers, and customers have less demand for the product. Thereby the retailers have to face difficulty in disposing of the stocked products; and this trend insists upon them not to restock the products at such an expected quantity. Further, the wholesalers, who stocked them, in anticipation of demand from retailers, have to suffer loss. In turn, no fresh order is sent by the wholesalers to the producers, who have already invested a great amount in the production process in anticipation. As such the product which was got ready by investing a huge amount of money has not the expected demand or any demand.

Time factor assumes prime importance on the market risk. A change in price is seen with the passage of time. This is caused by the improved products being offered for sale by the competitors or change in the weather conditions or new inventions as a result of scientific research or changes in the size of population or changes in fashion etc. Almost all the changes are unexpected and unforeseen. No one can say how long a particular product will be popular and when it will go out of demand.

Place risk:

The changes in price are caused by the passage of time which involves time risks. But place risk is different. The prices of a product are different in different markets at the same time. The demand and supply pattern differs from one market to another. This is because of price, which is based on demand and supply of the product. When businessmen purchase products from a market they aim to sell it at a higher price. But it so happens that sales have to be executed at a lower price than expected, because of low price at the selling market. Such losses are due to the lack of knowledge of market conditions. The rapid means of communication minimize such risks. However, possibility of such risks exists in the market, which is unorganized and permits different prices.

Competition Risk:

It is normally witnessed in the market. Mass production is followed by mass selling, which is again followed by keen competition among marketers. A producer or a marketer must always be alert to the attitude of competition. The absence of competitive attitude will cause closure of the firm. A competitor may change the method of production in order to improve the quality and durability of goods or lower the prices or adopt the best methods of selling, or offer special guarantee etc., to maintain the position of the market. All these cause the price reduction or divert the demand in the market. Thus every businessman must be alert in the actions of his competitors, who try to capture the market. At the present stage of severe competition, when one wants to be in the market one must be alert of the changes introduced in the market.

Natural Risks

Natural risks such as, earthquakes, fire, storm, rain, heat, cold etc., are uncontrollable by human beings. Pests, rats, etc., cause physical damage to grains. Extreme cold or heat may deteriorate the quality of the products. A farmer may not be able to raise his crops because of drought, flood, plant disease etc. Normal precautions only limit the losses but total avoidance is not possible.

Risks from Human Behaviour

Some uncertainties arise out of human elements, perhaps the major source of risks. In brief, they are:

(1) Dishonesty, carelessness, incompetence etc., of the employees cause risks in the business. Death of responsible officers is disastrous to the firm as a whole.
(2) Strikes, war, riots, theft, burglary etc., adversely affect the business.
(3) Loss from bad debts because of dishonesty of the customers is detrimental to business.
(4) A retailer/manufacturer may lose customers due to arrival of new products at lower prices, better service facilities, attractive terms etc.
(5) Legal liability under Workmen's Compensation Act
(6) Changes in taxation policy of the Government or freight
(7) Careless handling of materials will incur heavy loss.

Other Business Risks

1. Price risks are difficult to avoid. In free competitive market, prices always fluctuate.
2. Credit sales will increase the sales; so also bad debts. To a certain extent bad debts can be avoided with the help of factors, del credere agents etc.

3. Supply of raw materials must be regular to the producer. The irregularities in supply of materials will affect the production.
4. Consumer's preference always changes and is dynamic. Consumer's preference must be aimed at; otherwise produced goods cannot be sold. To overcome this, marketing research is a good guide.
5. Commodities exposed to the open air may deteriorate and this will affect the quality of products. Air-tight packing and cold storage will preserve the loss of quality.
6. Substitutes can divert the sales, thus leading to low sales. Device of branding and packages will solve this to some extent.
7. The actions of the Government in the country and foreign countries affect the profitableness of a business. Price hikes of oil, petrol etc., levy of new takes, imposition of tariffs etc., are examples.
8. Physical losses that may happen due to fire, flood, storm, earthquake, burglary etc. can be avoided through insurance.
9. Fluctuations in the rate of exchange may constitute losses in foreign trade. This risk can be avoided with the forward exchange market.
10. Market conditions greatly affect the sales. Over-stocking is profitable in rising market; but is fatal in falling market. One must possess the latest market news.

Methods of handling risks

Marketing risks are common in day to day business; all precautions are to be adopted in protecting them against unforeseen risks. The businessmen find out means to eliminate the risks or ast least minimize the effect of such risks. The risks occur by multiplicity of causes. There are business people, who undertake risks because of the belief "larger risk, greater the profit." A sensible businessman tries to minimize the risk, if loses are unavoidable.

The following methods are usually adopted:

(1) Prevention of risks
(2) Reduction of risks
(3) Shifting of risks

1. ***Prevention of risks:*** "Prevention is better than cure." Preventive measures are designed to eliminate the risks or the causes of risks. It is not possible to find out a

formula to avoid the risks completely, but to a great extent the risks can be reduced. The following steps are generally used in preventing the risks:

a) Losses from theft, shop-lifting etc., can be minimized by giving effective training to the employees of the firm. Apart from this, Burglar alarms, watchmen, safety valuts etc., help to a great extent in preventing or avoiding the risks.
b) Losses from bad debts can be prevented if creditableness of the party is known before granting credit. We can also get the help of factors and del credere agents.
c) Losses from fire, weather change etc., can be completely avoided by constructing fire-proof building for stocking products.
d) To avoid the non-availability of raw materials, it is advisable to adopt vertical integration, in which full control from the supply of raw materials to the distribution of final goods can be exercised.
e) Loss from overstocking or understocking should be avoided by producing the products to meet the orders. Overstocking will block the capital and understocking will result in the loss of profits. This can be avoided in production to the orders.
f) Reduced demand for the products can be regulated by effective sales-efforts through trademarks and brands. This will overcome the loss through bogus sales.
g) To reduce the market risk, the pulse of the changes in the market has to be known at the proper time. The price of raw materials may be low or high in the future, and the information must be obtained from the market.
h) The marketing risk is mainly due to price fluctuations, and the changes in demand and supply. These risks must be overcome by obtaining proper and accurate knowledge of the market by the management.

2. ***Reduction of Risks:*** Many risks are neither transferable nor avoidable. But market risks are reduced by the concentrated efforts of the marketers. In this modern period, it is difficult to predict the market conditions.

   Suggest to Overcome Loss

   (a) Loss on sale on account of fashion change, improved products can be overcome by the clearance sales at discount.
   (b) Loss on account of market change may be minimized by market risks.
   (c) Innovations invite risks and at the same time changes may lead to progress. Business cannot progress without innovations. At the same time we are unable to forecast changes in the future which are beyond our control.

(d) Re-organization of firms-amalgamation, conversion to company, etc.-greatly helps in improving the managerial ability, financial strength etc.

3. ***Shifting of Risks:*** some types of risks involving losss can be shifted to other's shoulders. There are professional agencies which aaccpet the risks as their responsibility.

   a) In the business world, there are many risks, uncertainties or losses. Generally business people are unwilling to bear such risks which create losses to the firm and so want to transfer them. Many natural risks or losses can be avoided through insurance. The importance of insurance of marketing lies in the fact that it helps in eliminating uncertainty. Insurance companies cover many risks for the payment of a sum, known as premium, for instance, Marine Insurance, Fire Insurance, Credit Insurance, Burglary Insurance etc. A businessman can easily transfer the risk to the insurer. Insurance is a contract by which the assurer (insurance company) in consideration of the payment of a sum (premium), agrees to pay a specified sum of the insured on the happening of a certain event. The insurer undertakes to indemnify the assured for the loss on the happening of the event.

   b) The loss on account of price changes can be shifted through hedging by means of future contracts. The marketing risks, generally found in agricultural marketing, due to price changes are shifted effectively by entering into simultaneous contracts of sales and purchase at a future date.

   c) Government also plays its role. Government places tariff on imports of products and thereby, a demand for home products arises. Restriction on import of goods is favorable to internal traders.

Points to remember

- **Brand name**

  Brand name consists of a word, letter, group of words or letters, comprising a name which is intended to identify the goods or services of a seller or a group of sellers in order to differentiate them from those of competitors.

- **Brand Mark**

  Brand mark is that part of brand which can be recognized but cannot be vocalised. It includes design, symbol, coloring, distinctive lettering

- **Trademark**

  When a brand name or brand mark is registered and legalized, it becomes a trade mark. In concise, the registered brands are trademarks

- **Characteristics of a good Brand**

  1. Branding should be appropriate to the product. Example Good night, Boost
  2. The brand name should be easy to remember
  3. Brand name should be suggestive example fair and lovely
  4. It should be easy to pronounce.

- **Packaging and Packing**

  Packing is wrapping a commodity or bundling it in a way suitable for transporting, storing and handling. But packaging includes all activities in product planning which involve designing and manufacturing the container or wrapper for a product.

- **Labelling**

  It is a part of packaging. Every packaged product has a label pasted or printed on it. Label carries the brand name of the product and provides information about the product's contents and features

- **Kinds of Labels**

  1. Brand labels
  2. Grade labels
  3. Descriptive labels
  4. Informative labels.

- **Marketing Risk**

  It may be defined as the danger of loss from unforeseen circumstances in future. It implies an element of uncertainty or possibility of loss.

- **Causes of Marketing Risks**

  1. Risks resulting from changes in market conditions
  2. Risks arising mainly or wholly out of natural causes.
  3. Risks resulting from human behavior.

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

1. **Meaning and importance of financing**
2. **Kinds of Business Finance**
3. **Methods of financing for firms**
4. **Consumer Credit**

Meaning and importance of financing

Supporting activities, like finance, contribute considerably to get success in the field of marketing. Financing refers to money and credit. The present age is of mass production and this needs mass distribution. Hence sufficient amount is needed by a business firm. Finance is the most fundamental aspect for any merchandise transaction. Business firms cannot stand through ownership capital. Majority of transactions between firms are carried on through credit. A business firm, from its inception, requires fund. A firm may manufacture its own products for sale or may purchase for resale. Goods are not sold immediately after they are manufactured or bought for sale. Generally, it takes some time for the goods to reach the hands of consumers. That is, there is a gap between the time of purchase of goods or production and the time when it reaches the final consumers. Sometimes, payment may be delayed. Then firms have to hold inventories to meet demands. All the business activities are continuous in day to day actions. A firm or a business needs finance for various purposes, from its inception to its fall. If agriculture and industry are the fresh and bones of economy, then finance is the blood circulating system. Credit transactions are common in business and this stops the inflow of cash. But the firm has to keep stock of further sales. Thus, the firm needs further amount of cash for the smooth running of business.

What is finance?

Finance may be defined as the provision of money. Finance is the study of methods to obtain money and credit. Financing is the acct of providing money and credit. Ownership capital is limited. On the strength of owned capital, business firms try to secure borrowed resources. "Finance is the life blood of economic, commercial and industrial undertakings."

In business, it is profitable to invite borrowed resources. Thus, "credit is the life blood of business." The finance needed to run a business as a whole is known as business finance and the finance needs to market the products is known as marketing finance. The marketing finance, which we are concerned, is one of the facilitating functions of marketing.

Kinds of Business Finance

Business firm requires two kinds of capital viz. Fixed capital (Permanent Capital) and Current Capital (Working Capital).

Fixed Capital:

It is the money which is invested in fixed assets, to be used over a long period of time. Fixed assets include land, building, fixtures and fittings, furniture, machinery, equipment etc. It is a long-term investment and having permanent existence. It is sunk permanently in the business. It is not returnable to the investors on demand. It is the core of the business.

The requirement for fixed capital is less than marketing finance warehouses, service centres, showrooms etc. The sources for fixed capital are issue of shares and debentures, long-term loans, ploughing back of profits etc.

Working Capital:

It is also known current capital or liquid capital or circulating capital. Working capital is required to purchase raw materials, inventories, spare parts, marketable securities etc., and to meet day to day expenses. It is required for running the business. It is raised out of one's own funds and short-term loans. The primary need of the business firm for the fund arises when one has to invest in stock of goods. In case of quick turnover, the amount of working capital required is less. When the unit cost is higher, greater amount is needed; but when the unit cost of production is less, small amount of working capital is needed. If it is a manufacturing concern, the raw materials can be acquired on credit basis.

Our need is concerned with the working capital i.e., the fund involved in production, purchase and sale of goods. The need for working capital is to finance dahy to day manufacturing expenses and sales expenses. It indicates the cash flow cycles. It is revolving fund. This cycle starts by purchasing raw materials with cash(credit), engaging labour, meeting operating expenses and marketing expenses and finally recovering through sales of finished goods.

Thus there is continuous flow of fund-mainly cash to inventory and inventory to cash. Again the working capital may be in the form of stocks, B/R, sundry debtors etc. Net working capital is the excess of total current assets over total current liabilities. There must be considerable margin of current assets over current liabilities. The working capital denotes the capital temporarily needed. Cash comes in and goes out of business. As sich, the fund on working capital is more or less permanent in nature. The asset, under working capital, may change in form from one asset to another. For example, debtors to cash, stock to cash or debtors etc. Therefore, the fund is known as circulating capital.

Methods of financing for firms

Financial institutions, public moneylenders etc., are there to mobilize the financial needs of firms. A corporation may issue shares and debentures. Banks grant long-term loans to improve the earning capacity of firms. Certain financial institutions provide long-term loans, while some provide short-term loans. All these types are external sources of finance which provide external working capital.

The following are the sources by which current financial needs can be met:

1. ***Own Investment and Long-Term Borrowing:*** A part of the long-term borrowing is utilized for current financial needs. Regular working capital needs certain amount of money to be kept in the floating fund. Own investment has limitations so as to its availability. Therefore, the business has to depend upon the long-term borrowing to meet the current financial needs.
2. ***Bank Loans:*** Short-term financial needs are often met by bankers, through the sanction of loans. Such short-term loans may be secured or unsecured. Unsecured loans are given against the character, ability and credit standing of the businessman. Such loans are repaid by the businessman when sale of goods taken place, within a

reasonable period. The bank may also provide cash, cedit or the facility of overdraft to the businessman.

3. ***Account Receivable Financing:*** It is not possible to sell goods always on cash. Mercantile credit plays an important role in boosting the business transactions. Businessmen sell goods and the buyer's account is debited with the amount. Of course, this account receivable, known as sundry debtors in financial books, appears in the balance sheet. On the basis of this account receivable, businessmen get loans or advances from factors. When funds are received from factors against account receivable, they are known as account receivables financing. They are of either of the two forms:

   (A) ***Ordinary Account Receivable Financing:*** This is a system by which a business firm enters into an agreement with the financing institution, which agrees to purchase account receivable of the firm or gives advance against such account receivables. When sales takes place, a statement of account is sent to the financing institution, which advances immediately about 70% - 90% of the face-value. Buyers make the payment to the selling firms, which settle with the financing institutions. For this, the financial institution charges about 2% of the invoice price. The loss on account of defaulted buyers is borne by the selling firms. It is called non-modification or ordinary account receivable financing and the buyer is not intimated with the arrangement, as he has nothing to do with it.

   (B) ***Factoring:*** This is a system by which factor buys such account receivable (sundry debtors) of the seller, and assumes all the risk of non-payment. There is an agreement between the seller and factor or financing institution. The seller is paid off against such debt. The factor possesses the right to grant credit to the buyer or the seller. The invoice is forwarded by the factor, who receives the debt. Factor charges commission, say 1 to 3% of the invoice price.

   (C) ***Trade Credit (Mercantile Credit):*** It plays a significant role in financing marketing activities. By trade credit, it means the credit extended by one merchant to another, for the purchase of goods for resale, but not for personal use. This form of credit enables the firm to buy goods and services of a firm and settle at the specified date in future. This type of credit is not in the form of cash, but in the form of products or goods. Period of credit depends upon the nature of the goods and the relation between the seller and the buyer. It is mainly based on the past records of the buyer. The seller measures the risk by considering the three

C’s basis-Character, Capacity and Capital. Character is the moral basis of credit; capacity and capital are the material bases which determine the limit of credit risk. More than 75% of sales of wholesale merchants and over 90% of manufacturer’s sales are generally made on credit. Generally the credit period varies between 30 to 90 days. To such a credit, no collateral is offered.

Consumer Credit

1. ***Open Account Credit:*** Retail credit, also known as personal credit or customer’s means the credit granted by a retailer to his customers. Customers are the last link. The credit is based on the capacity of the customer, who is able to pay within a specified time. This is a simple system whereby a seller opens an account in his books in the name of the consumer. As and when sales take place, the amount of the sales is debited in the customer’s account, in the seller’s book. A monthly statement is sent to the customer. Customer pays the outstanding amount once a month or so. This type of credit is enjoyed by salaried people.
2. ***Charge Account Banking (Credit Cards):*** As in foreign countries, credit card system has come to India. If a person wants to avail of this facility, he must apply to the bank, in the prescribed form and he must have assumed income. The limit of the income is fixed by the bank. If the bank is satisfied with the credit worthiness of the party, the banker issues the credit cards and thereby informs the person of the credit limit. The credit card holder can make credit purchase from retail shops, repair shops etc., of the invoice is sent to the bank. The banker makes the payment to the seller by debiting the card holder’s account. In some cases, instead of payingcash, the sellers account is credited by debiting the card holder’s account. At the end of the month, a statement of purchases made by the card holder is sent to the card holders. The card holder settles the statement with the bank depositing the amount. For payment, generally bank does not charge, but delayed payment carry interest. The system is a new trend. Sellers are relieved from the risk of non-payment. The displeasure of collection process on the part of the buyers is avoided.
3. ***Instalment Credit:*** In case of consumer durables-television, furniture, cycle, radio etc., instalment credit is generally allowed. Under this system, the buyer is allowed to own the article by paying a fixed amount, which is a part of the total price and this payment is also known as down payment on purchase. The price, which includes

interest, is divided into instalments, which will be paid, generally monthly or at a fixed period as agreed upon between the buyer and the seller. In case of default, the buyer can be sued in a court of law for the recovery of the balance amount. By this system, the sales can be increased.

4. ***Hire Purchase Agreement:*** There is an agreement between the seller and the buyer, whereby the seller agrees to transfer the possession of the article to the buyer; but the ownership right of the article will be transferred to the buyeronly on payment of the last instalment. As in instalment credit system, the seller hands over the article to the buyer. In case of default in payment of instalments, the seller possess the right of possession of the articles and the amount paid will be treated as hire charges.

The significance of consumer credit is mainly aimed for boosting the sales. It is the system which sellers can sell goods easily and quickly. The consumers, when they go for credit purchases, can increase their standard of living.

Points to remember

- **Kinds of Business Finance**
    - i. Fixed capital (Permanent Capital)
    - ii. Current Capital (Working Capital).
- **Methods of financing for firms**
    1. Own Investment and Long-Term Borrowing
    2. Bank Loans
    3. Account Receivable Financing
        - a. Ordinary Account Receivable Financing
        - b. Factoring
        - c. Trade Credit (Mercantile Credit)
- **Consumer Credit**
    1. Open Account Credit
    2. Charge Account Banking (Credit Cards)
    3. Instalment Credit
    4. Hire Purchase Agreement

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

5. **Meaning**
6. **Importance of transport**
7. **Modes and means of transport**
8. **Advantages and Disadvantages of various modes of transport**

Meaning

Physical supply or the physical distribution of goods is one of the functions of marketing. What is transportation? Transportation means the physical movement of persons and goods from one place to another. For the large scale development of trade and commerce. Transport is the blood stream of a nation's economy.

Transportation is described as 'physical marketing', because without the physical supply of goods there will not be any transaction i.e. buying and selling. Transportation is the 'key link' between the production and other marketing functions.

Transportation refers to the activity that facilitates physical movement of goods and individuals from one place to another.

Individuals or business firms that engage themselves in such activities are called transporters.

Importance of transport

Transport removes the hindrance of distance.

a) ***Useful to manufacturers:***

Transport makes it possible to carry raw materials from places where they are available to places where they are to be processed and assembled into semi-finished or finished goods.

b) ***Useful to customers:***

Transport makes movement of finished goods possible to consumers spread in different locations of the country, consuming goods produced at distant places.

c) Raising standard of living:

Transport gives consumers the choice to make use of different qualities of goods of different prices. So it raises the standard of living of the people.

d) Facilitates large-scale production :

Transport makes large scale production possible by making all required materials and manpower available at the place finally selected for manufacturing. Large scale production lowers down cost per unit.

e) Helpful during emergencies:

In times of national crisis, due to war or internal disturbance, transport helps in quick movement of troops and the supplies needed in the operation.

f) Creation of employment:

Transport provides employment opportunity to individuals engaged in producing, operating and maintaining various means of transportation.

g) Labour mobility:

Transport helps people to work in different industries and factories. Most industries have their own transport system to bring the workers to the place of work.

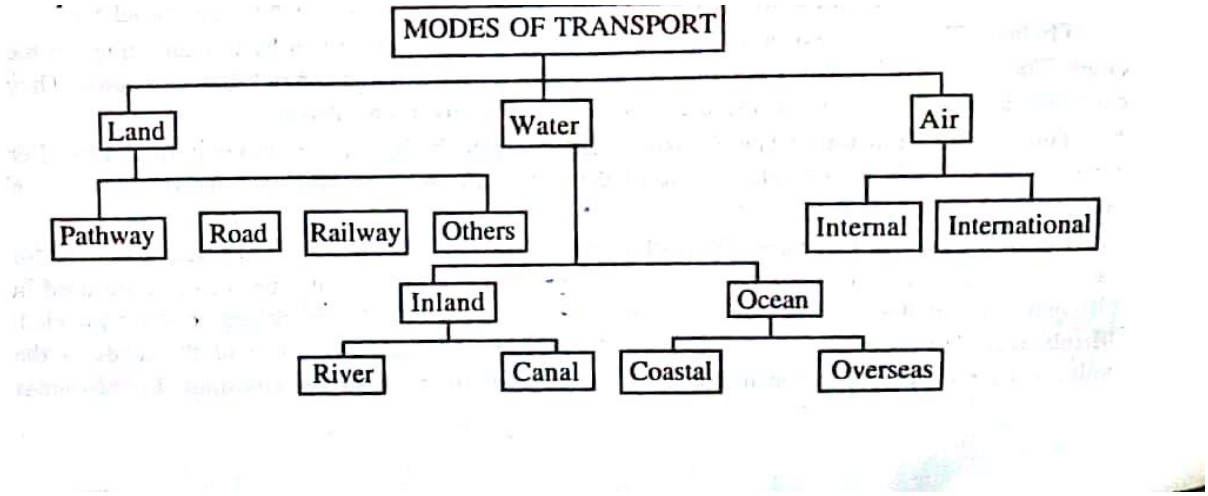
h) Cultural exchange:

Transport facilitates movement of people and goods from one country to another. It helps in exchange of cultures, views and practices among the people of different countries which creates better understanding and helps in promoting a feeling of international brotherhood.

Modes and means of transport

Transport is possible through land, air or water, which are called the different modes of transport.

On land we use trucks, tractors, etc., to carry goods; trains, buses, cars etc. to carry



passengers. In air, we use aeroplanes, helicopters to carry passengers as well as goods. In water we use ships, steamers, boats, etc., to carry goods and passengers. All these are known as various means of transport.

The modes of transport can broadly be divided into three categories:

A) Land transport,

B) Water transport and

C) Air transport.

A) Land transport

Land transport refers to activities of physical movement of goods and passengers on land. This transport may further be divided into:

1.Road transport

2.Rail transport

3.Ropeway transport

4. Pipeline transport

Road transport

Roads are the means that connect one place to another on the surface of the land.

Some of them are made of sand and some may be of chips and cement or coal tar. There are different vehicles plying on roads like bullock carts, cycles, motorcycles, cars, truck, buses, etc. and may be- man driven; animal driven; and motor driven.

Merits of road transport system

1. ***Convenience***

Road transport provides convenient service to people. Goods can be conveniently transported from sender to the receiver.

2***. Suitable For Perishable Goods***

Road transport or automobiles like truck, motor etc. are the best means for transporting perishable goods. They can carry such goods to the destination within shorter time at lower cost.

3. ***Low Investment***

The road automobiles like bus, truck, tractor etc. are easy to purchase. They need relatively low cost. The owners of such automobiles do not have to repair or build roads by themselves.

4***. More Flexible***

Road transport is more flexible than other means of transport. If any road is blocked, the road automobiles like truck, bus can be taken through alternative ways. They do not need fixed road like railway line.

5***. Safety of Goods***

Goods or people can be carried safely from one place to another through road transport. As the persons carrying goods or people become careful while transporting them, there remains least possibility of damage or loss.

6. ***Less Costly and Quick***

Buses, trucks, and tractors are comfortable, quick, cheap, suitable and useful in transporting goods or people to short distance.

Demerits of road transport system

1. Unsuitable for long distance

The means of road transport like bus, trucks etc., are not suitable in travelling or transporting goods to long distance.

2. **Cannot transport heavy goods**

The means of road transport cannot or are unsuitable to carry heavy goods from places to place.

3**. Irregular**

The service of road automobiles such as bus, trucks etc. are nor reliable. They have neither certain route nor fixed time. Road may be blocked or crumbled or slid down. As a result, people or goods cannot reach their destination in time.

4. Risky

Road transport is risky. Sudden accident may happen. Necessary security arrangement cannot be made against such accident.

5. **No uniformity in fair**

Uniformity in charge or fair for road transport may not be found. The rate of fair becomes different. Due to unorganized system of road transport, its fair is found different and remain changing time to time for place to place.

1. **Rail transport**

Transportation of goods and passengers on rail lines through trains is called rail transport. It is the most dependable mode of transport to carry goods and passengers over a long distance. Rails use steam, diesel or electric power to move.

Advantages of rail transport

i. It is a convenient mode of transport for traveling long distances.

ii. It is relatively faster than road transport.

iii. It is suitable for carrying heavy goods in large quantities over long distances.

iv. Its operation is less affected by adverse weather conditions like rain, floods, fog, etc.

Limitations of railway transport

i. It is relatively expensive for carrying goods and passengers over short distances.

ii. It is not available in remote parts of the country.

iii. It provides service according to fixed time schedule and is not flexible for loading or unloading of goods at any place.

iv. It involves heavy losses of life as well as goods in case of accident.

2. Pipelines transport

Pipelines are used for water supply to residential and commercial areas and petroleum and natural gas from one place to another.

This is the most convenient and economical mode of transport for these products to be transported in large volume, as compared to road and rail transport.

But the cost of installation and maintenance is quite high.

3. Ropeway transport

Ropeway refers to a mode of transport, which connects two places on the hills, or across a valley or river. In the hilly areas, trolleys move on wheels connected to a rope and are used for carrying passengers or goods, especially building materials, food, etc.

B) Water transport

Water transport refers to movement of goods and passengers on waterways by using various means like boats, steamers, launches, ships, etc.When rivers and canals within the country are used for the movement of boats, launches, etc. this is called inland water transport. When the various means of transport are used to carry goods and passengers on the sea route it is termed as ocean transport.

Sea transport is of two types.

(i) Inland water transport

(ii) Ocean-transport

Inland Water Transport:

As shown in the chart, inland water transport consists of transport by rivers, canals and lakes.

Rivers:

Rivers are a natural waterway which can be used as a means of transport. They are suitable for small boats as well as big barrages. River transport played a very important role prior to the development of modern means of land transport. Their importance has gradually declined on account of more reliable and cheaper transport services offered by the railways.

Canals:

They are artificial waterways made for the purpose of irrigation or navigation or both. Canal transport requires a huge amount of capital investment in construction and maintenance of its track i.e., the artificial waterways. The cost of the canal transport is, therefore, higher than that of river transport. To add to it, the cost of providing water for the canals is also a very big problem of canal transport.

Lakes:

Lakes can be either natural like rivers or artificial like canals.

Advantages

1. Low Cost:

Rivers are a natural highway which does not require any cost of construction and maintenance. Even the cost of construction and maintenance of canals is much less or they are used, not only for transport purposes but also for irrigation, etc. Moreover, the cost of operation of the inland water transport is very low. Thus, it is the cheapest mode of transport for carrying goods from one place to another.

2. Larger Capacity:

It can carry much larger quantities of heavy and bulky goods such as coal, and, timber etc.

3. Flexible Service:

It provides much more flexible service than railways and can be adjusted to individual requirements.

4. Safety:

The risks of accidents and breakdowns, in this form of transport, are minimum as compared to any other form of transport.

Disadvantages

1. Slow:

Speed of Inland water transport is very slow and therefore this mode of transport is unsuitable where time is an important factor.

2. Limited Area of Operation:

It can be used only in a limited area which is served by deep canals and rivers.

3. Seasonal Character:

Rivers and canals cannot be operated for transportation throughout the year as water may freeze during winter or water level may go very much down during summer.

4. Unreliable:

The inland water transport by rivers is unreliable. Sometimes the river changes its course which causes dislocation in the normal route of the trade.

5. Unsuitable for Small Business:

Inland water transport by rivers and canals is not suitable for small traders, as it takes normally a longer time to carry goods from one place to another through this form of transport

Ocean transport includes:

1. Coastal Shipping
2. Overseas Shipping

1. Coastal Shipping:

It is one of the most important means of transport for carrying goods from one part to another in a country. It is a cheaper and quicker mode of transport and is most suitable for carrying heavy, bulky and cheap traffic like coal, iron ore, etc. to distant places. But it can serve only limited areas. Earlier, coastal shipping in India was mainly in the hands of foreign shipping companies. But now from 1951 onwards, it is exclusively reserved for Indian ships.

2. Overseas Shipping:

There are three types of vessels employed in the overseas shipping:

(i) Liners,

(ii) Tramps,

(iii) Tankers.

(i) Liners:

Liners are the ships which have regular fixed routes, time and charges. They are, usually, a collection of vessels under one ownership, i.e., a fleet. They provide a uniform and regular service. Liners sail on scheduled dates and time, whether full of cargo or not.

(ii) Tramps:

Tramps are ships which have no fixed routes. They have no set rules or rate schedule. Usually, they do not sail till they have full cargo. They can be chartered by exporters and are ready to sail anywhere and at any time. They are not as fast in speed as liners. Tramps are more suitable to carry seasonal and bulky goods.

(iii) Tankers:

Tankers are the vessels which are specially designed to carry oil, petrol and such other liquids. They have a large capacity, 2 to 3 lakh tons of oil, and very shortly, we may have super tankers with a capacity of about 10 lakh tons of oil.

Advantages

1. It operates on a natural track as sea provides a readymade 'road bed' for the ships to sail. Hence, it does not require huge amount of capital investment in the construction and maintenance of its track.

2. Due to the smooth surface of sea, comparatively less tractive power is required for its operation which results in a lesser cost of operation. Thus, it is the cheapest mode of transport.

3. It has the largest carrying capacity as compared to any other transport.

4. The risk of damage in transit of the goods is also less as compared to other modes of transport. But the goods are exposed to the ‘perils of sea’.

5. It is the only suitable mode of transport for carrying heavy and bulky goods to distant places.

6. It is indispensable to foreign trade.

C) Air transport

Air transport is the most recent mode of transport. It is the gift of the 20th century to the world. The two world wars gave a great impetus to the development of air transport in almost all the countries of the world. The peculiar characteristic of air transport is that is does not need a specific surface track for its operations.

It has no physical barriers as in the case of other mode of transport. Political boundaries are also immaterial although it has to observe the requirements of the International Law. The supreme advantage of air transport lies in its quickness.

It is the fastest mode of transport. But the cost of its operation is very high and thus it is suitable for only rich passengers, mails and light and costly cargo. However, in advanced countries like U.S.A., Germany, etc. it offers a tough competition to the railways.

Characteristics

Air transport has the following characteristics:

1. Unbroken Journey:

Air transport provides unbroken journey over land and sea. It is the fastest and quickest means of transport.

2. Rapidity:

Air transport had the highest speed among all the modes of transport.

3. Expensive:

Air transport is the most expensive means of transport. There is huge investment in purchasing aero planes and constructing of aerodromes.

4. Special Preparations:

Air transport requires special preparations like wheelers links, meteorological stations, flood lights, searchlights etc.

Fastest Mode of Transport

Advantages

1. High Speed:

The supreme advantage of air transport is its high speed. It is the fastest mode of transport and thus it is the most suitable mean where time is an important factor.

2. Comfortable and Quick Services:

It provides a regular, comfortable, efficient and quick service.

3. No Investment in Construction of Track:

It does not require huge capital investment in the construction and maintenance of surface track.

4. No Physical Barriers:

It follows the shortest and direct route as seas, mountains or forests do not come in the way of air transport.

5. Easy Access:

Air transport can be used to carry goods and people to the areas which are not accessible by other means of transport.

6. Emergency Services:

It can operate even when all other means of transport cannot be operated due to the floods or other natural calamities. Thus, at that time, it is the only mode of transport which can be employed to do the relief work and provide the essential commodities of life.

7. Quick Clearance:

In air transport, custom formalities can be very quickly complied with and thus it avoids delay in obtaining clearance.

8. Most Suitable for Carrying Light Goods of High Value:

It is most suitable for carrying goods of perishable nature which require quick delivery and light goods of high value such as diamonds, bullion etc. over long distances.

9. National Defence:

Air transport plays a very important role in the defence of a country. Modern wars have been fought mainly by aeroplanes. It has upper hand in destroying the enemy in a very short period of time. It also supports over wings of defence of a country.

10. Space Exploration:

Air transport has helped the world in the exploration of space.

Disadvantages

In spite of many advantages, air transport has the following limitations:

1. Very Costly:

It is the costliest means of transport. The fares of air transport are so high that it is beyond the reach of the common man.

2. Small Carrying Capacity:

Its carrying capacity is very small and hence it is not suitable to carry cheap and bulky goods.

3. Uncertain and Unreliable:

Air transport is uncertain and unreliable as it is controlled to a great extent by weather conditions. Unfavourable weather such as fog, snow or heavy rain etc. may cause cancellation of scheduled flights and suspension of air service.

4. Breakdowns and Accidents:

The chances of breakdowns and accidents are high as compared to other modes of transport. Hence, it involves comparatively greater risk.

5. Large Investment:

It requires a large amount of capital investment in the construction and maintenance of aeroplanes. Further, very trained and skilled persons are required for operating air service.

6. Specialized Skill:

Air transport requires a specialised skill and high degree of training for its operation.

7. Unsuitable for Cheap and Bulky Goods:

Air transport is unsuitable for carrying cheap, bulky and heavy goods because of its limited capacity and high cost.

8. Legal Restrictions:

There are many legal restrictions imposed by various countries in the interest of their own national unity and peace.

Points to remember

- **Transportation**

  Transportation means the physical movement of persons and goods from one place to another.

- **Importance of transport**

  a) Useful to manufacturers
  b) Useful to customers
  c) Raising standard of living
  d) Facilitates large-scale production
  e) Helpful during emergencies
  f) Creation of employment
  g) Labour mobility
  h) Cultural exchange

- **Modes of transport.**

  1. Land transport

     a) Road transport

b) Rail transport

c) Ropeway transport

d) Pipeline transport

2. Water transport

   a) Inland water transport

      i. Rivers

      ii. Canals

      iii. Lakes

   b) Ocean – transport

      i. Coastal shipping

      ii. Overseas shipping

3. Air transport.

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

9. **Meaning of Warehouse**
10. **Functions of Warehousing**
11. **Importance of Warehousing In the Development of Trade and Commerce**
12. **Benefits from Warehouses**
13. **Type of Warehouses**

MEANING

A warehouse may be defined as a place used for the storage or accumulation of goods. The function of storage can be carried out successful with the help of warehouses used for storing the goods.

Warehousing can also be defined as assumption of responsibility for the storage of goods. By storing the goods throughout the year and releasing them as and when they are needed, warehousing creates time utility.

Functions of Warehousing

1. Storage:

This is the basic function of warehousing. Surplus commodities which are not needed immediately can be stored in warehouses. They can be supplied as and when needed by the customers.

2. Price Stabilization:

Warehouses play an important role in the process of price stabilization. It is achieved by the creation of time utility by warehousing. Fall in the prices of goods when their supply is in abundance and rise in their prices during the slack season are avoided.

3. Risk bearing:

When the goods are stored in warehouses they are exposed to many risks in the form of theft, deterioration, exploration, fire etc. Warehouses are constructed in such a way as to minimise these risks. Contract of bailment operates when the goods are stored in wave-houses.

The person keeping the goods in warehouses acts as boiler and warehouse keeper acts as boiler. A warehouse keeper has to take the reasonable care of the goods and safeguard them against various risks. For any loss or damage sustained by goods, warehouse keeper shall be liable to the owner of the goods.

4. Financing:

Loans can be raised from the warehouse keeper against the goods stored by the owner. Goods act as security for the warehouse keeper. Similarly, banks and other financial institutions also advance loans against warehouse receipts. In this manner, warehousing acts as a source of finance for the businessmen for meeting business operations.

5. Grading and Packing:

Warehouses nowadays provide the facilities of packing, processing and grading of goods. Goods can be packed in convenient sizes as per the instructions of the owner.

Importance of Warehousing In the Development of Trade and Commerce

Warehousing or storage refers to the holding and preservation of goods until they are dispatched to the consumers. Generally, there is a time gap between the production and consumption of products. By bridging this gap, storage creates time utility.

There is need for storing the goods so as to make them available to buyers as and when required. Some amount of goods is stored at every stage in the marketing process. Proper and adequate arrangements to retail the goods in perfect condition are essential for success in marketing. Storage enables a firm to carry on production in anticipation of demand in future.

A warehouse is a place used for the storage or accumulation of goods. It may also be defined as an establishment that assumes responsibility for the safe custody of goods.

Warehouses enable the businessmen to carry on production throughout the year and to sell their products, whenever there is adequate demand.

Need for warehouse arises also because some goods are produced only in a particular season but are demanded throughout the year. Similarly certain products are produced throughout the year but demanded only during a particular season. Warehousing facilitates production and distribution on a large scale.

Benefits from Warehouses

1. Regular production:

Raw materials need to be stored to enable mass production to be carried on continuously. Sometimes, goods are stored in anticipation of a rise in prices. Warehouses enable manufacturers to produce goods in anticipation of demand in future.

2. Time utility:

A warehouse creates time utility by bringing the time gap between the production and consumption of goods. It helps in making available the goods whenever required or demanded by the customers.

Some goods are produced throughout the year but demanded only during particular seasons, e.g., wool, raincoat, umbrella, heater, etc. on the other hand, some products are demanded throughout the year but they are produced in certain region, e.g., wheat, rice, potatoes, etc. Goods like rice, tobacco, liquor and jaggery become more valuable with the passage of time.

3. Store of surplus goods:

Basically, a warehouse acts as a store of surplus goods which are not needed immediately. Goods are often produced in anticipation of demand and need to be preserved properly until they are demanded by the customers. Goods which are not required immediately can be stored in a warehouse to meet the demand in future.

4. Price stabilization:

Warehouses reduce violent fluctuations in prices by storing goods when their supply exceeds demand and by releasing them when the demand is more than immediate productions. Warehouses ensure a regular supply of goods in the market. This matching of supply with demand helps to stabilise prices.

5. Minimisation of risk:

Warehouses provide for the safe custody of goods. Perishable products can be preserved in cold storage. By keeping their goods in warehouses, businessmen can minimise the loss from damage, fire, theft etc. The goods kept in the warehouse are generally insured. In case of loss or damage to the goods, the owner of goods can get full compensation from the insurance company.

6. Packing and grading:

Certain products have to be conditioned or processed to make them fit for human use, e.g., coffee, tobacco, etc. A modern warehouse provides facilities for processing, packing, blending, grading etc., of the goods for the purpose of sale. The prospective buyers can inspect the goods kept in a warehouse.

7. Financing:

Warehouses provide a receipt to the owner of goods for the goods kept in the warehouse. The owner can borrow money against the security of goods by making an endorsement on the warehouse receipt. In some countries, warehouse authorities advance money against the goods deposited in the warehouse. By keeping the imported goods in a bonded warehouse, a businessman can pay customs duty in instalments.

Type of Warehouses

There are three types of warehouses as described below:

1. **Private Warehouses:**

The private warehouses are owned and operated by big manufacturers and merchants to fulfil their own storage needs. The goods manufactured or purchased by the owner of the warehouses have a limited value or utility as businessmen in general cannot make use of them because of the heavy investment required in the construction of a warehouse, some big business firms which need large storage capacity on a regular basis and who can afford money, construct and maintain their private warehouses. A big manufacturer or wholesaler may have a network of his own warehouses in different parts of the country.

2. Public Warehouses:

A public warehouse is a specialised business establishment that provides storage facilities to the general public for a certain charge. It may be owned and operated by an individual or a cooperative society. It has to work under a license from the government in accordance with the prescribed rules and regulations.

Public warehouses are very important in the marketing of agricultural products and therefore the government is encouraging the establishment of public warehouses in the cooperative sector. A public warehouse is also known as duty-paid warehouse.

Public warehouses are very useful to the business community. Most of the business enterprises cannot afford to maintain their own warehouses due to huge capital Investment. In many cases the storage facilities required by a business enterprise do not warrant the maintenance of a private warehouse. Such enterprises can meet their storage needs easily and economically by making use of the public warehouses, without heavy investment.

Public warehouses provide storage facilities to small manufacturers and traders at low cost. These warehouses are well constructed and guarded round the clock to ensure safe custody of goods. Public warehouses are generally located near the junctions of railways, highways and waterways.

They provide, therefore, excellent facilities for the easy receipt, despatch, loading and unloading of goods. They also use mechanical devices for the handling of heavy and bulky goods. A public warehouse enables a businessman to serve his customers quickly and economically by carrying regional stocks near the important trading centres or markets of two countries.

Public warehouses provide facilities for the inspection of goods by prospective buyers. They also permit packaging, grading and grading of goods. The public warehouses receipts are good collateral securities for borrowings.

3. Bonded Warehouses:

Bonded warehouses are licensed by the government to accept imported goods for storage until the payment of custom duty. They are located near the ports. These warehouses are either operated by the government or work under the control of custom authorities.

The warehouse is required to give an undertaking or 'Bond' that it will not allow the goods to be removed without the consent of the custom authorities. The goods are held in bond and cannot be withdrawn without paying the custom duty. The goods stored in bonded warehouses cannot be interfered by the owner without the permission of customs authorities. Hence the name bonded warehouse.

Bonded warehouses are very helpful to importers and exporters. If an importer is unable or unwilling to pay customs duty immediately after the arrival of goods he can store the goods in a bonded warehouse. He can withdraw the goods in instalments by paying the customs duty proportionately.

In case he wishes to export the goods, he need not pay customs duty. Moreover, a bonded warehouse provides all services which are provided by public warehouses. Goods lying in a bonded warehouse can be packaged, graded and branded for the purpose of sale.

Points to remember

- **Warehouse**

  A warehouse may be defined as a place used for the storage or accumulation of goods. The function of storage can be carried out successful with the help of warehouses used for storing the goods

- **Functions of Warehousing**

  1. Storage
  2. Price Stabilization
  3. Risk bearing
  4. Financing

5. Grading and Packing

- **Benefits from Warehouses**
  1. Regular production
  2. Time utility
  3. Store of surplus goods
  4. Price stabilization
  5. Minimisation of risk
  6. Packing and grading Financing

- **Type of Warehouses**
  1. Private Warehouses
  2. Public Warehouses
  3. Bonded Warehouses

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

14. **Meaning for salesmanship**
15. **Definition for salesmanship**
16. **Nature of salesmanship**
17. **Importance of Salesmanship**
18. **Functions, Duties and Responsibilities of Salesman**
19. **Type of Salesmen**
20. **Recruitment and Selection of Salesmen**
21. **Steps in Selection Process**
22. **Important Conditions for selection**

Meaning

"The personal selling" and "salesmanship" are often used interchangeably, but there is an important difference. Personal selling is the broader concept. Salesmanship may or may not be an important part of personal selling and it is never 'all of it. Along with other key marketing elements, such as pricing, advertising, product development and research, marketing channels and physical distribution, the personal selling is a means through which marketing programmes are implemented.

The broad purpose of marketing is to bring a firm's products into contact with markets and to effect profitable exchanges of products for money. The purpose of personal selling is to bring the right products into contact with the right customers, and make ownership transfer.

Salesmanship is one of the skills used in personal selling, as defined by Stroh, "it is a direct, face-to-face, seller-to-buyer influence which can communicate the facts necessary for marketing a buying decision; or it can utilize the psychology of persuasion to encourage the formation of a buying decision".

Salesmanship is seller-initiated effort that provides prospective buyers with information and motivates or persuades them to make favourable buying decisions concerning the seller's products or service. The salesman of today has to react and interact in any different ways to many different people.

Apart from the knowledge of the product, a salesperson has to be a psychologist with one prospect, a human computer with another, an adviser with another, and at the same time a friend with some buyers. Salespersons must adjust their personalities on every call. Salesmanship may be implemented not only through personal selling but through advertising. Thus, advertising has been described as "salesmanship in print."

Some definitions emphasize that salesmanship is the art of influencing or persuading people to do what sales representative wants them to do. For instance, contractors, teachers, ministers, authors, politicians, industrial engineers etc., practice the art of influencing others to do what they want them to do. Every man is a salesman in his own walks of life.

"He who works with his hands is a labourer.

"He who works with his hands and his head is a craftsman.

"He who works with his hands, HEAD and heart is an artist.

"He who works with hands, his head, his heart and his feet is a salesman."

Salesmanship is the ability to persuade people to want the things which they already need. Salesmanship is the ability to convert human needs into wants. The work of salesman is a service i.e., helping the consumer. The salesman gives a solution to the customer's problems. Salesmanship is the ability to handle the people and to handle the products.

Definition

According to W.G Carter, "Salesmanship is in attempt to induce people to buy goods."

According to the National Association of Marketing Teachers of America, "It is the ability to persuade people to buy goods or services at a profit to the seller and benefit to the buyer."

According to Knox, “Salesmanship is the power or ability to influence people to buy at a mutual profit, that which we have to sell, but which they may not have thought of buying until call their attention to it. Salesmanship is the ability to persuade people to want they already need.”

According to Prof Stephenson, “Salesmanship refers to conscious efforts on the part of the seller to induce a prospective buyer to purchase something that he had not really decided to buy, even if he had thought of it favourably. It consists of persuading people to buy what you have for sale in making them want it, in helping to make up their minds.”

According to J.C. Jagasia, “It is an ability to remove ignorance, doubt, suspicion and emotional objection concerning the usefulness of a product.”

According to Holtzclaw, “Salesmanship is the power to persuade plenty of people to pleasurably and permanently purchase your product at a profit.”

According to Carfield Blake, “Salesmanship consists of winning the buyers’ confidence for the sellers’ house and goods, thereby winning regular and permanent customers.”

According to Sefred Gross, “Salesmanship is the art of increasing satisfaction by persuading those people who should do so to buy specific goods or service.”

Thus, salesmanship is the process of persuading a person to buy goods or services. It does not mean that salesmanship is applied only to personal selling; it can also be applied to advertising- printed salesmanship. Salesmanship in its broader meaning, includes all types of persuasion means, by a seller, viz., advertising, personal selling and other methods.

Nature of salesmanship

Salesmanship is not just selling i.e., transferring the ownership of goods in exchange for money. It is the process of persuading the prospective customers to buy the goods or services which they really need. In other words, salesmanship is not just the act of satisfying the demand for a product that exists already. It is the process of creating a demand by guiding the consumers in the proper selection of goods.

Again, true salesmanship is not creating demand for a product by high-pressure tactics or by playing on the ignorance or weakness of the customers. Such an act is not only unethical, but also harmful to the concern in the long run. True salesmanship is the act of creating demand by convincing the people, through factual arguments and making them buy what they really need.

1. Salesmanship is personal service rendered by the seller to the buyer.

2. Salesmanship is both art and science

3. Salesmanship is quite distinct from advertisement4.Salesmanship is a profession

5. Salesmanship is the art of solving the problems of the prospective customers.

6. Salesmanship is universal

Importance of Salesmanship

In the present day, salesmanship plays an important part. Salesman is the connecting link between sellers and buyers at every step. i.e." from the collection of raw materials to the finished products. , Of all, customers are the most benefited by salesmen. Present era is of large-scale production, which is in anticipation of demand. The market expands along with competition. This makes distribution a difficult and a complex factor in the face of still competition. The expansion of the market, growing competition etc., invite a better salesmanship.

1. Important to Producers:

Salesmanship is important to producers and manufacturers. For pushing products into the competitive market, salesmanship is necessary. To capture new markets also salesmanship is very important. Salesmen increase the sales volume. It brings larger profits to the manufacturers. Salesmen work as the "eye and ear" for the manufacturers.

They improve their products according to the taste of the consumers. They improve their sales policies by keeping in mind the suggestions, impressions and complaints of the consumers. He is the creator of demand. Hence it leads to increased production and increased business activity. As such it increases employment opportunity as well as personal incomes.

2. Important to Consumers:

Salesman educates and guides the consumers. He gives them more satisfaction. ‘Consumers are right’ in the marketing. As such, he gives more importance to them. Salesman helps the consumers in making the right decision and proper selection of the products which they want to buy. Salesmanship increases the rate of turnover, and hence reduces unsold stock. As such it minimizes the economic stagnation. Consumers can select the best products according to their requirements, taste and money.

Functions, Duties and Responsibilities of Salesman

a) **Selling**: The fundamental duty of a salesman is selling. This duty includes meeting the prospects, presenting and demonstrating the products, inducing the prospects to buy, taking orders and effecting sales.

b) **Guiding the buyers**: A salesman should guide the buyers in buying the goods they want.

c) **Attending to complaints**: A salesman should attend to the complaints of the customers immediately and try to settle their grievances quickly and sincerely.

d) **Collection of bills**: Sometimes, a salesman may be required to collect the outstanding bills relating to the goods sold by him. In such a case, he has to collect the bills and remit the amount to his firm.

e) **Collection of credit information**: A salesman may, sometimes, be required to collect information about the credit-worthiness of the customers. In such a case, he has to collect detailed information and submit it to his firm in time.

f) **Reporting**: A salesman, especially a traveling salesman, is required to send daily, weekly or monthly reports to his firm, providing information about the calls made, sales effected, services rendered, route schedule, expenses incurred, business conditions, competition, if any, etc.

g) **Organizing**: A salesman, i.e., a traveling salesman, is required to organize his tour programme. He has to prepare the route and time schedules for his tour so as to systematize his sales efforts.

h) **Attending sales meetings**: A salesman is required to attend the sales meetings convened by his employer at periodical intervals to discuss the marketing problems, sales promotion activities, sales policies, etc.

i) **Touring**: A traveling salesman, has to undertake touring regularly to cover the sales territories assigned to him.

j) **Arranging for packing and delivery**: A salesman, i.e., a counter salesman, has to arrange for the packing of the goods sold and the delivery of the packages to the buyers.

k) **Window and counter displays**: A salesman, i.e., an indoor or counter salesman, has to arrange for the window and counter displays of the products in an attractive manner so as to attract or induce the prospects to buy.

l) **Promotion of goodwill**: Every salesman has to build up satisfied clientele (i.e., customers) for his employer and thereby promote the goodwill of his firm.

m) **Recruiting and Training**: Recruiting new salesmen, imparting training, by accompanying them while making sales calls.

n) **Working with Middlemen**: Salesmen establish direct relations with middlemen — distributors, wholesalers, etc., and collect market information and pass it on to their firm.

Type of Salesmen

1. Manufacturer's Salesmen:

(a) Missionary Salesmen:

They are also known as Creative Salesmen or Pioneer Salesmen. They are employed by manufacturers and do the work, of missionary nature. They create demand for the products. They usually develop goodwill. They call on distributors- wholesalers, retailers, customers, in order to educate, train and induce them to promote the products. Manufacturers of medical supplies use this type of salesmen to promote their products.

(b) Merchandising Salesmen:

They assist dealers by giving suggestions on display, store- layout, service facility etc. They arrange wide publicity and conduct demonstration for dealer salesmen, by even working along with them. They are largely involved in drugs, medicines, grocery etc. There is a wide scope for this category.

(c) Dealer-Servicing Salesman:

These salesmen call on retailers in their territory and visit them often. They bring samples of new products, take orders and make up window display.

(d) Sale Promotion Salesmen:

They are also known as Retail Salesman. They are specialised in promotional work. They are representatives of medical firms or publishers. They may not take spot orders but they try to convince people like doctors about the new drug, research work, testing, result etc. They create demand by calling on customers,

(e) Technical Salesmen:

They are trained technically. They provide technical assistance to company's customers on matter connected with the product, its quality, its design, its installation etc. Generally these types of salesmen deal with computers, equipment's, machinery items, chemical products etc.

2. Wholesaler's Salesmen:

Products reach the hands of customers through a number of channels, the main channel being wholesalers. They are the nerve-centres of distribution between manufacturers and retailers. These salesmen are mainly concerned with retailers through whom the products are to be marketed.

Their main concerns are:

1. To guide the wholesalers in giving credit transaction to retailers,
2. To collect bills from retailers and customers,
3. To collect information of the market trend,
4. To help retailers to improve sales and
5. To take orders from retailers.

3. Retail Salesmen:

They are of two types: Indoor salesmen and Outdoor Salesmen.

a) Indoor salesmen work within the store—counter sales over the counter. They do not need training as they have to face only customers and not the prospects. They deal with regular buyers. They are order filling salesmen.They receive orders and execute them. They must have good manners and a helpful attitude. They must be able to guide the customers and help them to make quick decisions. They must also be knowledgeable and honest. Above all, they must maintain products in the shelves in an attractive manner.

b) (b) Outdoor salesmen may also be called travelling salesmen. Their main job is to make regular travels, visit customers, canvass orders etc. They must possess all the qualities of ideal salesmen.

4. Speciality Salesmen:

They are to sell speciality products-expensive durable goods, furniture, books, house furnishings, washing machines, automobiles, refrigerators etc. People purchase these products only after a personal and careful selection, because they do not buy them frequently. Salesmen of this kind must be masters of the art of salesmanship. They are representatives of manufacturers, who produce special items.

Recruitment and Selection of Salesmen

Right salesmen can help company achieve marketing objectives. Recruitment and selection are two important decisions in sales force management that concern with ensuring the right type (right qualities, right qualifications, and right experience) of sales personnel.

Problem of recruitment and selection arises when:

a) Starting a new company
b) Resigning and retiring of existing salesmen
c) Death of existing salesmen
d) Suspending of existing salesmen
e) Growth and development of company’s operations
f) Entering into new territories
g) Developing and introducing new products

Note that salesman is not only employee of a company, but he is its responsible representative; he is not dealing only with selling products, but also with goodwill and reputation of company. A right salesman can create positive effect on sales volume, profitability, customer satisfaction, dealer effectiveness, company's goodwill, promotional efforts, and so forth.

While recruiting and selecting salespersons, job analysis (consisting of job description and job specification) is to be made for better selection. Recruitment and selection are interdependent decisions. Let us discuss both terms separately.

RECRUITMENT

Recruitment means searching for prospective candidates and inspiring them to apply for the post. Recruitment ends on the last day/date of receiving applications. Salesmen can be recruited through a number of sources.

Main sources, widely practiced in India, includes:

a) Advertisement
b) Other firms
c) Middlemen
d) Personal recommendations
e) Recommendation of existing staff
f) Special recruitment agencies
g) Private training institutes
h) Colleges and academic institutes, etc.

Types of sources to be used for recruiting the salesmen depend on certain criteria, like type of products to be sold, types of customers to be served, paying capacity of company and type of remuneration plans, and other relevant factors.

SELECTION

Selection means selecting the fixed number of suitable candidates from those who applied for the posts. Selection process starts as soon as recruitment ends. Recruitment considers all applications received in a due date while selection considers only the required number of most suitable candidates.

There is no ideal selection process that most companies can follow. Normally, for selecting salesmen, the simple and short selection process is followed. However, some companies, when more salesmen are to be selected at time, also follow lengthy and systematic selection process. Selection process depends on types of salesmen, cost and financial position of company, time available, company's objectives, and so forth.

Steps in Selection Process

Systematic selection process consists of following steps:

a) Receiving applications
b) Screening applications
c) Preliminary interview
d) Written tests
e) Final interview
f) Medical examination
g) Final selection
h) Appointment and induction

Important Conditions for selection

At the time of final selection or appointment of salesmen, following conditions must be made clear**:**

a) Time to resume the duty
b) Company' marketing objectives, policies, and strategies
c) Duties and restrictions
d) Place of work
e) Reporting system or procedure
f) Bill collecting system
g) Remuneration and incentives
h) Training and expenses
i) Other relevant conditions, if any.

Points to remember

- Salesmanship is in attempt to induce people to buy goods

- **Functions, Duties and Responsibilities of Salesman**
  1. **Selling**
  2. **Guiding the buyers**
  3. **Attending to complaints**
  4. **Collection of bills**
  5. **Collection of credit information**
  6. **Reporting**
  7. **Organizing**
  8. **Attending sales meetings**
  9. **Touring**
  10. **Arranging for packing and delivery**
  11. **Window and counter displays**
  12. **Promotion of goodwill**
  13. **Recruiting and Training**
  14. **Working with Middlemen**
- **Type of Salesmen**
  1. **Manufacturer's Salesmen**
     - **A. Missionary Salesmen**
     - **B. Merchandising Salesmen**
     - **C. Dealer-Servicing Salesman**
     - **D. Sale Promotion Salesmen**
     - E. **Technical Salesmen**
  2. **Wholesaler's Salesmen**
  3. **Retail Salesmen**
  4. **Speciality Salesmen**

- **SELECTION**

  Selection means selecting the fixed number of suitable candidates from those who applied for the posts. Selection process starts as soon as recruitment ends.
- **Steps in Selection Process**

1. Receiving applications
2. Screening application
3. Preliminary interview
4. Written tests
5. Final interview
6. Medical examination
7. Final selection
8. Appointment and induction

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

23. **Meaning -Training Salesmen**
24. **Objectives and Importance of Training**
25. **Training Contents**
26. **Training Method**
27. **Training of Salesmen**
28. **Methods of Training of Salesmen**
29. **Advantages or Importance of Salesman's Training**
30. **Disadvantages of Training Salesmen or Limitations of Salesmen Training**
31. **Contents of a Good Salesmen Training Programme**

MEANING -TRAINING SALESMEN

Training salesmen is an act of imparting skills and knowledge necessary for performing the work better. Training is necessary to both new and experienced salesmen. A new salesman requires training due to the fact that he is not knowing how, when, and, what to sell. He needs skills and knowledge to deal with customers effectively.

An experienced salesman requires training to keep him up to date.

Objectives and Importance of Training

Training the sales force is important to increase sales volume, improve morale, reduce selling costs, improve relations, enable them to adjust with changing work, improve image of company, and so forth.

Below stated points indicate objectives and importance of training the salesmen:

a) To explain the sales people about basic principles of salesmanship.

b) To provide information about market territories and customers.

c) To tell them regarding the company's policies, objectives, reputation, strategies, problems and prospects, etc.

d) To inform them about products of the company.

e) To explain them about their duties, types of tasks, authority, and restrictions.

f) To provide salesmen the complete details about company's competitors.

g) To teach them how to report, how work with colleagues, and how to behave with superiors.

h) To teach them effective techniques to contact customers, make effective sales presentation, convince customers, get orders, and to handle their complaints and objections.

i) To make them aware of themselves.

j) To change or modify their attitudes, and remove prejudices and wrong beliefs.

k) To motivate them for maximum efforts and build high morale.

l) To refresh or update them periodically, etc.

Training Contents

Sales force training programme consists of training salesmen about what they have to do, when and why to do, where and how to do, and with whom to do.

Salesmen are trained about following aspects:

a) Knowledge about company
b) Knowledge about market (customer's characteristics)
c) Knowledge about products
d) Knowledge about marketing channels
e) Knowledge about themselves
f) Knowledge about competition
g) Knowledge about overall marketing environment
h) Knowledge about selling methods and techniques, etc.,

Training Method

Several methods are used for training salespeople. Some methods are internal while some are external. Some companies prefer to maintain a well-equipped separate training department for the purpose. The department is headed by training manager.

The companies that cannot afford separate department can send sales representatives to training institutes. Some companies do not go for systematic training and use simple training programme in which senior salesmen, sales manager or external experts train sales people as and when required.

In all the cases, popular training methods include:

a) On-the-job training (i.e., working under experienced salesman)

b) Lectures and discussion

c) Professional training and educational institutes

d) Correspondence or distanced education

e) Providing the salesmen the sales literatures like manuals, books, reports, sales letters, complaint notes, etc.

f) Sales plays and dramas

g) Conferences, seminars and workshops

h) Sales conventions

i) Role playing

j) Case study

k) Product analytical tests

l) Brainstorming

m) Visit to exhibitions, big stores, shopping malls, trade fairs, etc.

n) Deputation or temporary appointment

o) Audio-visual devices (to show sales films, advertisement, speeches, etc.)

Training of Salesmen

Objectives of Salesmen's Training

The objectives of salesmen's training may be varied in nature. They may differ from industry, nature of the products, company policies etc. In general, the objectives of salesmen's training are as follows:

a) Detailed knowledge of the product.
b) Knowledge of sales policy of the enterprise.
c) Knowledge of the basic principles of selling.
d) Knowledge about the sales organization and the enterprise, including history and the goodwill of the enterprise.
e) Knowledge about the customers.
f) Knowledge about the competitors and methods to increase sales in view of the competition.
g) Method of facing customer's objections, convince the customer and create demand of the product.
h) Method of meeting, convincing and presenting product information to the customers.
i) Increase the morale of the salesmen.
j) Increasing sales of the enterprise.
k) Method of creating new customers
l) Knowledge about the method of reporting sales, communication of orders of customers, maintenance of accounts, reimbursement of expenses, display and demonstration of products, preparing daily reports , servicing the customers etc.
m) Acquaint him with the laws and regulations relating to sale of goods.
n) Equip the salesman with necessary abilities and techniques to carry on his duties with vigor.
o) Keep him informed of the prevailing market conditions.
p) Achieving the sales targets.
q) Increasing the general efficiency of the salesmen.
r) Preparing the salesmen's force for replacing retiring, incompetent salesmen etc.

Methods of Training of Salesmen

Since the work of salesmen is of varied nature and differs widely from industry to industry, it is not possible to suggest or prescribe any single method of training to salesmen which may suit all types of salesmen. That is why different types of salesmen are appointed for different types of jobs in a sales department. Hence, there are different methods of training salesmen. They may be classified under the following two broad heads:

1. Individual Training Methods
2. Group Training Method

1) Individual Training Method

The individual training methods include on the job training, training through correspondence, internship training, training through study courses, training through individual coaching, training through special assignments, observation posts etc. as given below :

1. Training on the job:

It is a practical method of training in which the trainee gets actual experience by working along with some senior supervisor on the job. It is the most popular method of training. It is also called 'training within industry' or 'coach and pupil training '. Trainees work along with senior supervisor until the senior supervisor is fully satisfied that the trainee is competent to work individually. Under this method of training process charts, manuals, demonstration, tape records etc are also used.

2. Training through Correspondence:

Under this method training is provided to the trainees through correspondence. The special study courses are supplied to the trainees through post by a recognized institution regularly at the residence of the trainees. On the basis of the study courses the trainee is required to answer questions. These answers are duly examined by the panel of the institution regularly. The trainees are intimated about the mistakes committed by them. After a certain period the trainees are required to appear for an informal examination. As soon as they pass the prescribed examination degrees or certificates to the trainees are awarded.

3. Internship Training:

This method of training refers to a joint programme of training in which the technical institution and business houses co-operate. The object of such co-operation is to provide theoretical and practical training both side by side to the trainees. As soon as the trainees complete their training they are taken in the regular service of the concerned business house.

4. Training through Study Courses:

Under this method of training, study courses are prepared under the direct supervision and guidance of the experts. Necessary illustration is done through photos and pictures. These study courses are supplied to the trainees who are required to have a detailed study of the same. The idea behind this method of training is to refresh the trainee with latest and up-to-date techniques and methods of salesmanship.

5. Training through Individual Coaching:

Under this method of training, coaching is provided by the supervisor to the trainees on a continuous and regularly scheduled basis. It is essential that the supervisor should consider the training of the trainee placed under him, as part of this job.

6. Training through Special assignments:

Under this method of training, the trainees are provided special assignments with complete freedom to handle the affairs as they please. This method of training aims to create confidence in the trainee to do the task to the best of his ability.

7. Observation Posts:

This method stresses learning by observation. 'Assistant to' positions make good observation posts in development of the trainee. Trainee holding assistant posts are likely to grasp and assimilate problems pertaining to a particular post most effectively.

2) Group Training Method

Under this method, training is provided in groups. The advantage of this method is that training is provided to several trainees at a time. The most common methods under group training are as follows:

1. The Lecture Method:

This the easiest, quickest, simplest and cheapest method of providing training to the trainee. Under this method, lectures are delivered by senior supervisors and leading experts to a group of trainee consisting of 15 to 20 trainees who are sitting in a room. This is a sort of classroom lecture method which is a traditional one. Visual aids are also used so as to make the lecture most effective. After the lecture, questions are asked so as to have a clear conception, as soon as the desired series of lectures are completed, written and oral examinations may be arranged

2. The Conference and Seminar Method:

Under this method conferences and seminars are arranged under the leadership of experts and the trainees are required to participate in the same. All those present acquire latest and up to date information on the basis of actual contribution in one way or the other. This method can create greater degree of interest, gives a chance to each one participate, develops group morale and stimulates analytical thinking.

3. Committee Method:

Under this method, committees are formed under the leadership of a senior supervisor. The trainees are the members of the committees. The idea behind this method is to teach the trainees about organizational relationship and help he member(trainee) to visualize the operations of each major organizational unit of the enterprise. Thus trainee thus gets wider perspective having to adjust and accommodate others viewpoints and thereby gain practice in reaching decisions.

4. Case Method:

Under this method, an actual or hypothetical case of sales is discussed by the trainees in the presence and guidance of a senior supervisor. There are open and frank discussions amongst the members (trainees).

5. Round Table Method:

Under this method, the trainees are required to sit around a table under the leadership of a senior supervisor or expert. They discuss and express their ideas on a particular subject. It is the best method of having mutual exchange of ideas amongst the trainees on a particular subject.

6. The Panel Method:

Under this method, a discussion is presented by a certain number of experts on the panel who take the trouble to prepare and present the facts and discussions. The same further follows with the general discussion in which active participation of the trainees takes place.

7. Role Playing Method:

Under this method, training is provided to the trainee by presenting a sales drama before the trainees. In this method, a salesman is required to face the problems, criticism and objections of a number of customers. He solves their problems and replies to the criticism and objections in a very skilful, pleasing and convincing manner. It is an interesting and effective method of training.

8. Job Rotation Method:

Under this method, the trainees are required to work on different types of jobs in the sales organization. It provides boarding, balancing and enriching experience to the trainees. However, in order to make this system more effective the number and sequences of the jobs used for training should be carefully selected.

9. The 'Brainstorming' Method:

Under this method, any particular problem is thrown at the persons (trainees) sitting round the table and the participants throw out whatever comes into their minds. No one is permitted to contradict. Some good ideas are selected and the rest (useless ideas) find their way into the waste paper basket.

10. The 'each-one-train-one' Method:

Under this method, salesmen are divided into teams of two i.e. one of them is an old (experienced) salesman while the other is a new trainee. The old salesman teaches the new one all the techniques which he has acquired through his experience.

Miscellaneous Methods:

1. Visual training
2. Sensitivity
3. Multiple table method
4. You tell it method and
5. Task force method etc.

Advantages or Importance of Salesman's Training

A newly appointed salesman is neither aware of the products not knows the techniques of attracting and presenting the product before the prospective customer. Training makes the salesman aware of all these. The following are the advantages in favour of training salesmen:

1. Trained salesmen can see opportunities in a market which have been previously overlooked.
2. Training is necessary not only to those who are dealing in specialty goods but also to others. A salesman, even though he is a born salesman, requires to be trained in connection to policy and views of the enterprise.
3. With increase in sales the cost of selling per unit is reduced considerably.
4. Training enables salesmen to gain a deeper understanding of the customer's problems and as such can help in solving such problems more efficiently and quickly.
5. Trained salesman knows his job quite well and therefore, needs less supervision and control resulting in a smaller supervision cost.
6. Trained salesman acquire deeper insight into customer's needs and wants.
7. Properly trained salesman is in a better position to face the keen competition that may exist in the business.
8. Credit losses are considerably reduced in case of trained salesmen.
9. Training helps to lessen the time that a newly selected person takes in picking up the job.

10. Training relieves the enterprises of inefficient salesman who may be a burden on the enterprise.

11. Training helps the salesmen in building a congenial relations with customers. A trained salesman is in a position to secure high degree of understanding and co-operation with the customers.

12. Increased volume of business resulting from training is not only advantageous to the enterprise but is also in the interest of the salesmen who may expect better remuneration and promotion etc.

Disadvantages of Training Salesmen or Limitations of Salesmen Training

1. Some of the experts are of the opinion that "Salesmen are born and not made". He is gifted with natural qualities of salesmen and hence training is uncalled for.

2. Taking into consideration the indefinite results secure, the cost of training is too high ranging from Rs.25, 000 to Rs.65, 000 depending on the complexity of the sales job. Particularly small enterprises cannot dare to establish their own training center.
3. Tempting offers are made by competitors to trained and good salesman. As such it becomes difficult to retain such salesman. As such the expenditure incurred on the training of a salesman proves to be a waste.
4. Training is a means and not an end. It is not essential that a trained salesman may come to the level as required.
5. Even admitting that training is necessary the process of training is too slow. The salesman might become impatient and hence it is likely that he may leave the job even before completing the training.
6. Every salesman has his own way of doing work, and that to impose a system of training upon him simply spoil his successful methods without eradicating his faults.
7. If a person desires to learn swimming, the best way is to get into the water and swim and he will learn, swimming himself. Similar is the case with the training of a salesman. All the theoretical knowledge imparted to a salesman is of no use if not accompanied with practical training.
8. Different types of salesmen are recruited for different types of jobs. However, it is not possible to provide all types of training under one roof.
9. Some sales managers do not consider training to a salesman desirable as they do not have either sufficient time or required skill and talent to provide training to salesman. They feel that it will adversely affect their duties.
10. Most of the employees hesitate to train their sales army because it is time consuming process. In case of a salesman dealing in staple consumer goods a training period of 18 days to 18 months is needed. On the contrary, in the case of specialty technical products, the period ranges from 3 months to 3 years

Contents of a Good Salesmen Training Programme

As salesmen are appointed after a series of tests, only candidates with proven ability are selected for the post. Thus, if the training to a sales person proves ineffective, it could perhaps be due to improper methods of training. Unless the salesmen training methods are devised and planned well in advance, they would result in a total waste for the organization.

A good salesmen training programme must be prepared on the basis of ACMEE Principles:

- A — Aim of training,
- C — Contents of training,
- M — Methods of training,
- E — Execution of the training programme; and finally
- E — Evaluation.

The aim of all sales training should be to make the salesman an effective guide to buyer. Emphasis is on the Customer — his problems, needs and his satisfaction.

Contents of a good Salesmen Training programme

The exact nature of the contents of any scheme of training varies from firm to firm depending upon the nature of the products to be sold and marketing considerations. But generally, a good training programme covers the following subjects:

1. Basic principles of salesmanship

To be effective in their sales efforts, the salesmen must know the principles of salesmanship. They must know the selling points of their products, the buying motives of customers, the effective ways of arousing interest in the products and creating desire for the products, and they must also be able to tackle the objections raised by the customers.

2**. Information about the firm**

Every salesman should have a thorough knowledge of the firm where he is employed. He must know the history of the firm, its organizational set up, its achievement, the goodwill or the reputation of the firm and the sales and distribution policies of the firm, consumer services offered by the firm, etc. This knowledge will inject a sense of pride in the salesman and will enable him to do his job as per the firm's policy.

3. Information about the product or Service

The salesmen, to be successful in their work, must have a thorough knowledge of the products to be sold by them. They should know the nature of the products, the materials used in its manufacture, the methods of manufacture, the superiority of the products over the products of the rivals, the uses of the products and the method of using them. This will help the salesmen to persuade the customers with convincing points to buy the products.

4. Information about the customers

The salesmen are required to adopt different types of approaches to different types of customers. So, to be successful in their work, they must know the strong and weak points of the different types of customers, such as the silent customer, talkative customer, well-mannered customer, suspicious customer, hesitant customer, argumentative customer, short-tempered customer, etc., so that they can adjust their approach suitably.

Salesmen must also know the buying motives of the customers (such as the health, comfort, convenience, fear, price, recreation, affection, habits, etc.), so that they can appeal to the relevant buying motives of the customers.

5. Knowledge of the competitors

To be effective, apart from the knowledge of their firm and its products, the salesmen must possess a good knowledge of the competing firms, their products and their policies.

This will help them to find out the weaknesses of the rival firms and their products and to adjust or improve their sales efforts to overcome the competition offered by the rival firms.

6. Matters relating to the day-to-day work

Besides knowing the above, the salesmen must also know all the routine matters relating to their day-to-day work. They must plan their tours, draft periodical reports to the firm. Besides, they must correspond with customers. Preparation of orders and invoices, maintenance of account, despatch procedure and arrangement of display and demonstration of the products, all must be known to salesmen.

7. Importance of Industry

The trainees should know the product as well as the importance of the industry very thoroughly. The significance of the industry encourages the salesmen to remain in the business

Every industry has some unique features which distinguish it from other industries. A knowledge of, and faith in, such features encourage salesman to demonstrate them to consumers.

8. Knowledge of Markets

Salesmen are provided with adequate knowledge of the market, the demand for the product, the competition and potential areas, so that they can learn about the customers, their locations, buying habits and financial soundness.

9. Sales Techniques

Technical products call for the use of specialized selling methods. The methods of operating such products, such as a machine should be demonstrated by the salesman. The selling points are emphasized intelligently to motivate buyers. The new entrants to salesmanship are given basic training, while the experienced salesmen are provided with refresher courses to bring them abreast of the latest trends in effective selling.

Points to remember

- **Methods of Training of Salesmen**
    1. Individual training method
        - A. Training on the job
        - B. Training through Correspondence
        - C. Internship Training
        - D. Training through Study Courses
        - E. Training through Individual Coaching
        - F. Training through Special assignments Observation Posts
    2. Group training method
        - A. The Lecture Method
        - B. The Conference and Seminar Method
        - C. Committee Method
        - D. Case Method
        - E. Round Table Method
        - F. The Panel Method

G. Role Playing Method

H. Job Rotation Method

I. The ‘Brainstorming’ Method

J. The ‘each-one-train-one’ Method

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

32. Introduction - Good Remunerative Plan

33. Reasons for a Good Remunerative Plan

34. Objectives of Remunerative Plan

35. Essentials of a Good Remunerative Plan

36. Developing a Remunerative Plan

37. Methods of Compensation

Introduction

`Every firm has to formulate a good compensation plan while recruiting salesmen. The salesmen's compensation plan or remuneration plan means the monetary payment reward by a firm to its salesmen, in consideration of the performance or service rendered by them. A good remunerative plan is a good tonic, with which employees put forth efforts in attaining the goals of the organisation and motivate more effectively. The salesman play a significant role and are important, because they create income from the firm through sales. Moreover salesman's role also decides the success or failure of the firm. Therefore, it is an important matter for the management to formulate a good and sound remuneration plan.

Reasons for a Good Remunerative Plan

1. A good remuneration plan, which makes suitable reward for the service, attracts the best sales personnel because they, through their efforts, bring revenues to the firm.

2. A salesman is happy when he is paid amply, which correlates his efforts and result. When he is satisfied with the payment, naturally he takes maximum interest in his duties.

3. Sales forces are not directly supervised. Labour turnover can be reduced. The selected salesmen serve for the whole life. All these bring economy and prosperity to the firm.

4. Handsomely paid salesmen create higher productivity to the firm, apart from a good relation between employer and employee.

Objectives of Remunerative Plan

1. It must facilitate the firm to attract and retain the sales force and make them efficient and loyal.

2. It should aim to motivate them so as to attain the sales volume of quota.

3. It should aim at a direct relation between salesmen's performance and firm's profitability.

4. It must eliminate the unwanted sales force.

5. It must have the capacity of controlling the sales force.

6. It should not be changed often.

7. It must provide extra benefit for sincere and hardworking salesmen.

Essentials of a Good Remunerative Plan

1. It should be simple to understand.

2. It must be fair to salesmen and the firm.

3. It should be flexible enough to provide scope for adjustment of changes in business.

4. It should be reviewed periodically in order to keep it up-to-date.

5. It should provide adequate incentive to ensure living wages.

6. It should motivate the salesmen to boost performance.

7. It should ensure a minimum earning to a salesman.

8. Its monetary benefit should be in proportion to the objectives to be attained.

9. It should be easy and inexpensive to administer.

10. It should be competitive with the remunerative plan of rivals.

11. It must have provisions to reward a salesman whose performance is above average.

12. It should have provision for periodic increment or promotion from the lower to the higher grade.

Developing a Remunerative Plan

1. Development of a job description is the first job.

2. Then, through job evaluation, comparing other jobs facilitates to have a remunerative plan.

3. A reasonable earning should be levelled.

4. Decide the total amount payable to a salesman.

5. The type of goods, slow moving items, small order, encouraging sales promotions etc., are to be considered.

6. Then decide the method of payment.

7. Test the plan, by applying it on salesmen and watch the reactions.

Methods of Compensation

Basically, the compensation is based on two factors—the time spent on the job and the amount of sales made.

Based on these factors, the following methods are generally employed:

1. Straight Salary Method.

2. Straight Commission Method.

3. Combination of Salary and Commission Method.

4. Bonus.

5. Profit-sharing.

1. Straight Salary Method

It is the easiest of all remuneration plans and is the most common method. Under this system, salesmen are paid a predetermined amount, as a salary, generally at the end of every month. That is, a fixed amount of salary is payable to the salesman, regardless of his sales volume. The amount is fixed and does not vary. There is a fixed time-scale, with annual increments, for a continued service. Generally, the amount consists of basic salary, dearness allowance, and other allowances. Other amounts to meet the business expenses will also be paid.

This plan is suitable at the following places:

1. Where a new market is to be explored,

2 Where several salesmen have to co-operate for a sale,

3. Where job needs missionary or educational effort,

4. Where new salesmen are employed,

5. Where the job needs pre-sale and post-sale service or the case of complex products,

6. Where the sales cannot be measured satisfactorily,

7. Where the salesman's job is just routine order-taking,

8. Where the salesman works at the sales counter,

9. Where the market, for the products, is seasonal.

Merits of Straight Salary Method

1. The scheme is simple to understand.

2. It assures a definite guaranteed income to the salesman.

3. It exposes security and stability of income to salesman.

4. It helps to develop satisfied and loyal sales force.

5. It lowers labour turnover.

6. It is a good system when sales are uncertain.

7. When new salesmen are appointed, it is an effective scheme.

8. Consumers' needs and desire are better served.

9. The army of salesmen can be controlled easily.

Demerits of Straight Salary Method

1. It makes no difference between the idle salesman and active salesman, as all get equal salary.

2. It does not stimulate the salesmen to work harder because salary is paid irrespective of sales volume.

3. Reward is unrelated to effort or effort is unrelated to reward, as under this system, there arises no relation between effort and reward.

4. It over compensates the inefficient and under compensates the efficient.

5. The selling cost is not related to the sales volume.

2. Straight Commission Method

This method is based on the result, and not on the basis of time. The productivity i.e., volume of sales made by a salesman is a basis for remuneration. The commission is calculated usually as a percentage on total orders secured i.e., total value of sales. The rate of commission may be flat or differential. Differential rates aim at lower commission up to a standard performance and a higher rate over and above the standard performance.

This plan is suitable in the following cases:
1. When high incentive is required to achieve sufficient sales.
2. When the financial position is not strong to meet the fixed cost of straight salary.
3. When the firm cannot control the activities of the salesmen.

Merits of Straight Commission Method

1. There is a direct relationship between selling costs and sales revenues.

2 There is a clear distinction between efficient and inefficient salesmen.

3. Cost of administration is low.

4. It provides maximum monetary incentive to salesmen.

5. Salesmen are free birds.

6. The scheme works as a great incentive to efficient salesmen.

7. The plan is simple to understand and easy to operate.

8. It attracts salesmen of better ability and caliber.

9. An effective cost control system can be formulated, as there is a direct relation between selling cost and sales amount i.e., both will move hand in hand.

10. Personnel management problem is the least.

Demerits of Straight Commission Method

1. There is always uncertainty about the income and his position is insecure.

2. Fast moving goods are sold faster, but slow moving goods are sold still slower.

3. Salesman cannot be controlled as there arises a nominal relation, and he may quit the job at any time.

4. Salesman may use undesirable methods to boost sales.

5. The plan is unsuitable during depression or war periods.

6. Non-selling tasks are ignored and attention is focused only on selling aspect.

3. Combination of Salary and Commission

The above two methods discussed, have merits and demerits. The combination of salary and commission plan takes the advantages of both the methods—Straight salary method and straight commission method. This plan is the popular method of remuneration. Almost all the salesmen are satisfied with a regular fixed salary, because people want economic security. In this method, a salesman gets a salary (fixed component) and a commission (variable component) on the basis of sales made.

The system works in the following two patterns:

(a) Salary Pius Commission on Total Sales:

Under this system, a salesman is paid a salary (predetermined) and also a commission on total sales made by him.

(b) Salary plus Commission over Certain Quota:

Under this method, a salesman is paid a predetermined fixed amount as salary and a commission, which is calculated on the amount of sales over and above the sales quota. In case, the salesman cannot sell even the quota fixed, he is entitled only for the salary and there is a no question of commission.

Illustration:

A salesman, who is appointed on a monthly salary of Rs. 1,000 plus a commission, is entitled at:

(a) 1.5% commission on all sales, (or)

(b) 4% commission over the sales of Rs. 25.

Total sales made by him was Rs. 40,000.

His total earning would be:

(*a*) Salary	Rs. 1,000	(*b*) Salary	Rs. 1,000
Commission 1.5%		Commission 4% :	
on Rs. 40,000	600	upto Rs. 25,000	Nil
		above Rs. 25,000	
		i.e., 4% on 15,000	600
	1,600		1,600

Merits:

1. There is a minimum guaranteed income.
2. Salesmen take more initiative to sell, as they know that more effort means more reward.
3. Efforts and rewards are well-balanced.
4. The plan is acceptable and is more suitable and appropriate to salesmen.
5. There is control over the salesman's activity.

Demerits:

1. There is an increase in the office cost-administration cost.
2. More records have to be maintained.

4. Bonus

Bonus is different from commission. The payment of commission is based on the value of the sales. Bonus is a financial incentive to the salesman. It is paid to the salesman in addition to the remuneration.

The basis for the bonus is different from firm to firm. The basis may be:

(a) The profit earned in a particular territory,

(b) When the sales quota is exceeded,

(c) For any special services offered,

(d) For performing a certain promotional work,

(e) For creating a certain number of new customers,

(f) Reducing the selling expenses.

The bonus amount is in addition to the normal remuneration.

The bonus plan must be drawn carefully such that:

1. The conditions laid down in the plan must be clear.

2. Misunderstanding or disputes should not arise.

3. Proper maintenance of relevant records is essential.

Merits of Bonus

(a) It is an additional income to the salesman.

(b) Salesman becomes more loyal to the organisation.

(c) It reduces the turnover ratio in the organisation.

(d) A good understanding and co-operation are cultivated in the minds of the salesmen.

(e) The idea or aim of the firm can be germinated through the salesman.

5. Profit Sharing

This is a system by which a firm apportions a part of the divisible profit; and his part is shared by the salesmen in terms of their contribution to it. The bonus sharing plan is in addition to the regular remuneration. The profit or the loss depends upon the policies of the firm. The amount of divisible profit can be reduced by making reserves, increasing the rate of depreciation, undervaluation of stocks, secret reserve etc., to thin the profit to be exposed.

Fringe Benefits:

This benefit is non-cash incentive, given to salesmen as a compensation, in addition to salary. This includes provision for meeting medical expenses, free medical facilities, free accommodation, provident fund schemes, pension benefit, getting company's product at cost price, children's education expenses etc.

Travelling Expenses:

Salesmen, in finding the prospective customers, have to travel extensively. An amount may be spent by them to meet the customers, and this must be reimbursed. The trip must be unavoidable and essential for the business.

The amount may be paid in the following manner:

(a) On receiving a detailed report of the actual expenses from the salesmen, after verification, the claimed amount may be paid immediately, or

(b) The amount incurred may be intimated to the company, and without demanding the detailed report, the full amount may be paid in good faith. Or

(c) The company may fix an amount to be spent in sales territory, considering boarding and lodging etc. The fixed amount is paid. or

(d) The firm may fix a flat rate at which the amount is paid.or

(e) An amount may be fixed by the company for travelling purposes, generally monthly. The expenses reported by the salesman are paid, but not beyond the limit fixed.

Points to remember

- **Methods of Compensation**
  1. Straight salary method
  2. Straight commission method
  3. Combination of salary and commission method
  4. Bonus
  5. Profit sharing

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

38. **Introduction – Control of Salesmen**
39. **Need for Control of Salesmen**
40. **Advantages of Control of Salesmen**
41. **Methods of Control over Salesmen**
42. **10 most essential Requisites of a Sound and Successful Close**

Introduction

The success of planning depends greatly on the control of the sales force. This control activity has gained much significance in the modern competitive world. In fact, planning and controlling are two sides of a coin and are crucial for sales management.M.C. Niles defines, Control is the maintaining of a balance in activities directed towards a goal or set of goals, Therefore, control consists of the steps taken to ensure that the performance of the salesman conforms to the plans.

Control of salesmen is the process of establishing the standards of performance for the salesmen, measuring their performance, interpreting it and taking corrective actions, wherever necessary, so as to improve their performance.

In other words, Control of salesmen is the act of directing, guiding and checking the salesmen so as to ensure that every activity of the salesmen occurs in accordance with what is envisaged in the sales plan.

Need for Control of Salesmen

Control of salesmen is very essential for a sales organization to achieve maximum results. However scientific the selection and the training of the salesmen may be, supervision and control of the salesmen are absolutely necessary to secure the most economical and efficient performance from them.

The need for effective control of the salesmen is all the more greater, especially when there are a large number of salesmen, working in different places, far away from the sales manager. The need for effective control of the salesmen is necessary for the following reasons:

1. *To make disciplined and responsible salesmen*

By nature, some salesmen are devoted, and therefore require little control. But there are salesmen who are indifferent and not devoted to duty. They may not work properly unless there is an effective control; so, control of salesmen becomes necessary, to make them disciplined and responsible and to ensure good performance from them.

2. *To coordinate their efforts and activities*

For the success of sales campaign, the efforts of the salesmen must be coordinated with other sales efforts, such as advertising, personal selling, etc.

3. *To maintain regular contacts*

Control of the salesmen is also necessary to ensure that they are in contact with the distribution channel members, consumers and the public at large.

Advantages of Control of Salesmen

1. It helps to increase the efficiency of the sales force and contributes to increased sales.

2. It contributes to the organization by reducing its selling expenses.

3. It contributes to the elimination of superfluous sales operations.

Methods of Control over Salesmen

Control over the salesmen may be exercised in many ways. The various methods of control over the salesmen are explained below:

1. **Personal Contact and inspection**

Personal contact, inspection or personal control is the oldest method of control. It is also one of the most important and effective methods of controlling the salesmen. Under this method, the work of the salesmen is checked by the sales manager himself, in the case of smaller organizations.

However, in the case of larger organizations, personal control over the salesmen is exercised by regional, divisional, district or branch managers. The regional, divisional, district or branch managers check and control the salesmen working under them in their own areas. Besides, there may also be field supervisors or inspectors to check the salesmen's work and to control the salesmen through personal contact.

This method is, no doubt, an effective method of control. But it is very expensive. Further, as the organization grows in size, and if more salesmen are employed in scattered areas, it becomes very difficult to exercise effective control over the salesmen through this method. However, the difficulty can be overcome by appointing more field supervisors and by allocating a small area for each field supervisor.

2. Control through Correspondence

Control over the salesmen can be exercised through correspondence. This is one of the most commonly used methods of control.

Under this method, letters are written by the sales manager to the salesmen periodically and information about their performance is also obtained from them. On the basis of the information received, instructions and suggestions are given to them periodically through correspondence for the improvement of their performance.

This method will be quite effective only when it is used as a supplement to the personal control or personal contact method.

3. Establishing Control through Reports and Returns

Control over the salesmen may also be exercised through report and returns from the salesmen. Under this method, salesmen are required to send reports to the sales manager periodically say, daily, weekly or monthly, depending upon the requirements. The reports in writing and returns should contain information regarding:

1. The number of calls made (with relevant details of each call)
2. The total volume and value of sales effected.
3. The number of new customers contacted and sales made.
4. The number of old customers lost and the reasons for the same.
5. The sales expenses incurred.
6. Collection of outstanding amount made from the customers.
7. Customers’ needs and problems.
8. Credit standing of customers
9. Complaints from the customers.

The reports should also contain information regarding:

10. Competition in the market.
11. Changing market conditions.
12. Effectiveness of the advertising.
13. Involvement of wholesalers, retailers in promotion.

The reports are analyzed and the salesmen’s performance is evaluated. Based on the analysis and interpretation of the salesmen’s performance, necessary instructions are given to the salesmen for improving their performance in future.

For example, call report indicates the calls made on customers, sales obtained, future promises made by customers, their credit standing, etc. Similarly, an expense account may point out details of expenses made by the salesman during a particular period.

By summing up the various reports of the salesman, a record is prepared by the sales organization about the actual performance. The carefully prepared record gives a clear-cut picture of every salesman’s work and activities. On the basis of reports and records, the manager can compare the performance with the targets.

4. Fixing Sales Territories and Sales Quotas

Fixation of sales territories and sales quotas is one of the effective methods of controlling the salesmen.

10 most essential Requisites of a Sound and Successful Close

Every salesman is naturally interested in not only early close but successful close. Closing or concluding a sale is the most critical stage for the salesman because it is this stage where prospect is converted into customer; in other words his desire gets a concrete shape of demand.

Certain essentials or imperatives are to be developed for a successful close because close is either opening the door of fortune or closing forever. This is the stage where the customer on the fence is made to jump on either side because he makes a decision — to buy or not to buy. These essentials are:

Requisites of a Sound and Successful Close

1. Maintain Positive Attitude:

Optimistic or positive attitude towards a close is a must. A salesman has a positive or optimistic attitude when he has abounding self confidence, perfect knowledge and the sharp ability to size up the prospect. Looking to the facial and bodily gestures the salesman is to close the sale. He should never get excited for the early repose or gain. At the same time, he should not expect early response or victory.

2. Capture Prospect's attention:

Prospect is tickly to divert his attentions on something else; he may be physically at the full command of the salesman travelling mentally elsewhere salesman should attract and hold the attention of his prospect like a snake charmer to bring unity of thought, purpose and action on his part. Mental presence for perception is of top importance.

3. Allow the Prospect to Question:

The salesman is not supposed to unload the planned sales talk like a monsoon down pour. It should not be dry and mechanical. It should not be one sided where he goes on talking and talking and the prospect remains a personal listener. As he is instrumental in converting the desire into demand, let the prospect have his say. Welcome and encourage the prospect to ask any questions relating to the sales talk so that he clears his doubts and reservations. This chance granted gratifies the prospect. What is needed is two-way meaningful communication so that each understands another in a light throwing fruit bearing way.

4. Impressive Presentation and Effective Demonstration:

Both presentation and demonstration are very effective tools at the command of salesmen through which he connivances the prospect by bringing to his notice the relative features, merits and benefits of a product. Presentation and demonstration provide better opportunity to the prospect to think and rethink before coming to a decision point. He analyses whether product or service is worth buying because every customer wants to get better value for money spent on a product or service. He compares quality and price and wants to get the best at reasonably low price. Hence, he should take full advantage of presentation and demonstration.

5. Never impose a Decision:

Salesman is not to compel the prospect to buy nor he is to decide on his behalf as to the dimension of the purchase. His duty is to present, demonstrate, clear his doubts and objections and reiterating the selling points allowing the prospect to decide as per his cost benefit analysis. He is to recommend his goods and wait for his buying actions or commitment. It is because it is the prospect that pays for the product and never he should be kept away from his decision benefit. He should have it as his prerogative; never he should feel that he is duped by a salesman.

6. Reserve Surprise Selling Points:

As a part of sales talk, he should not finish the entire quota of selling points. Some of the precious and unique selling points are to be held in reserve as trump cards to apply at appropriate and opportune time. Such surprise and premium points are sure to impel the prospect to decide. Of course, it is difficult to say on the spot as to what is the most opportune time. It is the situation that decides as to what is the most opportune time.

7. Read the Buying Signals:

A "buying signal" refers to anything that prospect says yes or does indicate that he is readily willing to buy. Buying signals hint out that the prospect is in conviction stage of buying process. These signals may be: the prospect asks the questions regarding the product, asks another persons opinion, he relaxes and becomes friendly, pulls out a purchase order form carefully examines the product and so on. A prospect sends buying signals both verbally and non-verbally as noted earlier at any time during the sales presentation.

8. Hit at the Time:

Salesman is to effect the sales at the right moment of time. This is not easy. This needs a detailed analysis as to when the minds of prospect and salesman integrate to a perfect accord He is to feel that moment through 'sixth' sense. It is the accurate interpretation of buying signals that prompts the salesman to attempt to close. Psychologists say that there is close alliance between the hands and mental frame. When the prospect is tension free and his mind is quite receptive his hands are relaxed, plans duly opened. Some read the facial expressions because face is the index of mind or mirror of inner feelings.

9. Avoid interruptions:

Salesman finds it very difficult when somebody intervenes at the climax of close, may be this friend, or colleague or a relative or even he can receive a phone call. Entry of a person will give him an opportunity to ask the third party opinion as regards the advisability of product and its purchase. Such intruders opinions may work against the intent of a salesman who is about to close. It may so happen that the prospect may cancel or withdraw the purchase order. However, things are not entirely in the hands of salesman what one can say is he should select such time where interruptions are least or they are not there.

10. Repeat Trials:

Many salesmen have a very strong and wrong feeling that they should close at the first attempt only like love at first sight, They strongly feel that if they fail to close at first sight or attempt, there will be no sales at all. This is something wrong and serious. Hence, the salesman should try to close the sale more than single time even if the prospect goes to the extent of saying 'no'. Refusal is not the end of the interview, It only means that the prospect has not yet made his mind to buy, He may expect the salesman to approach him with new and additional selling points. It the duty of the salesman to meet his craze for additional information so that he would be able to close and clinch the order.

Points to remember

- **Need for Control of Salesmen**
  1. To make disciplined and responsible salesmen
  2. To coordinate their efforts and activities
  3. To maintain regular contacts
- **Methods of Control over Salesmen**
  1. Personal Contact and inspection
  2. Control through Correspondence
  3. Establishing Control through Reports and Returns
  4. Fixing Sales Territories and Sales Quotas
- **Requisites of a sound and successful close**
  1. **Maintain Positive Attitude**
  2. **Capture Prospect's attention**
  3. **Allow the Prospect to Question**
  4. **Impressive Presentation and Effective Demonstration**
  5. **Never impose a Decision**
  6. **Reserve Surprise Selling Points**
  7. **Read the Buying Signals**
  8. **Hit at the Time**
  9. **Avoid interruptions**
  10. **Repeat Trials**

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

43. **Introduction – Sales Organization**
44. **Needs of sales organization**
45. **Importance of sales organization**
46. **Sales Manager**
47. **Qualities of a Sales Manager**
48. **Duties and Responsibilities of a Sales Manager**
49. **Types of Sales Manager**
50. **Sales promotion**
51. **Objectives of Sales Promotion**

Introduction

Sales organization consists of human beings or persons working together for the effective marketing of products manufactured by the firm or the products purchased for resale. Sales organization co-ordinates the efforts of members of a group to bring about a desirable result. It provides an efficient, economic and flexible administrative set up to ensure timely movement of products from the warehouse to the ultimate consumer. Thus it provides satisfactory job to buyers and sellers.

A sales organization has a number of departments. It has a planned and well co-ordinate structure. It performs the functions of planning, organizing and controlling marketing and distribution of products. Sales organization is a foundation for effective sales planning and sales policies. Systematic execution of plans and policies and programmes of a sales organization control all the sales activities. As such it ensures maximum efficiency and profitability without losing consumer service and satisfaction.

According to Bolling, “A good sales organization is one wherein the functions or departments have each better carefully planned and co-ordinate towards the objective of putting the product in the hands of the consumers the whole effort being efficiently supervised and managed, so that each function is carried out in the desired manner."

Needs of sales organization

As the firm is a small one, there is no need for sales organization, as the proprietor himself can sell all the output or in certain cases, he is assisted by one or two salesman, under his direct control. But when the firm or the business itself expands, because of extension of markets, production in large-scale, competitive market etc., the need for a sales orgainsation is felt. The need arises because of the following factors:

1. Production in anticipation of demand, which must be sold.
2. To create demand for the products through efficient salesman.
3. Execution of orders without delay.
4. Satisfactory action against complaints from customers.
5. Collection of credit sales.
6. Keeping enough stock by looking at the future demand.
7. Maximum contribution to profit.
8. To enforce proper supervision of sales force.
9. To divide and fix authority among the subordinates.
10. To locate responsibility.

Importance of sales organization

A sales organization is the mechanism through which a sales manager's philosophy is translated into action. The sales orgainsation provides the vehicles for making decision on planning, organization, selection and training of salesmen, their motivated, directing and controlling them. It also provides vehicle through which these decision are implemented.

"Sales are the life blood of business." Sales organization is part and parcel of a business firm. All the departments are carefully planned in a good sales organization. The importance of sales organization, in brief, is:

1. Blood circulation of a human body keeps a man alive and in sound health. Similarly the sales strengthen the organization. The more is the sales, the more is the profit.
2. Increasing sales means progress of the firm. If the sales fall down, it is fatal, because sales are the life blood of the business, as the blood is to a human body.

3. Consumers are the kings. Manufacturers produce goods for consumers. They must be satisfied in the market which is full of competitors with products for similar use. So suitable products are necessary, and for this an organization is necessary.
4. To move the products from the factory to the consumers, the sales organization is necessary demand creation.
5. To handle the orders promptly i.e., from the stages of enquiry to order at full satisfaction to consumers.
6. Collection of dues is also important. Several drops make an ocean; at the same time milking cows should not be neglected.
7. To keep good public relations by redressing the complaints if any, and to create a good image of the firm.

Sales Manager

The sales manager is the head of the sales organizations. He may also be known as sales executive, sales director or marketing manager. The sales manager is the key personnel in a sales organization and is an important person. When he is in meeting or inside the fir, he is more or less a representative of the consumers. But when he is in the market or when he is dealing with customers, he is a true representative of the firm and product. He plays dual role. He is responsible for directing all sales activities. A proper direction of the sales manager over the sales activities has a direct reflection on the progress of the firm. He steers the wheel of the sales organization, as he is the driving force of the sales organization. “Under the old concept, the sales manager is primarily responsible for getting orders. This is the job of day-to-day selling, of hiring and training salesmen; order getting is his job, his life and responsibility. Under the new concept, the sales manager is still responsible for these activities but in addition, he has the responsibility of the transmitting to and imbuing the men on the salling front with the new company and management philosophy and thinking. The sales manager must become a planner, a strategy developer as well as an operator.”

Qualities of a Sales Manager

According to Pederson and Wright, a sales manager or sales executives must possess a wide range of abilities and the right mix of knowledge, skills and attitudes, if he is to be successful in administering the sales function within the company. A sales manager must have requisite qualities of managerial and administrative capacity. To be a successful man in the field of sales, it is necessary that he should have the following qualities:

1. He must have adequate basic qualities, skill and experience.
2. He must possess pleasing manners.
3. He must be a good quick decision maker.
4. HE must have all the qualities of a leader.
5. He must be able to set up, organize and operate the functions successfully.
6. He must have a spirit of co-operation. Co-operation is reciprocal-two-way traffic.
7. He must have “your attitude” and “I” attitude.
8. He must have an ability to teach others, which depends upon deep knowledge, mastery of language, clarity of expression etc.
9. He must be primarily a good trainer.
10. He must have the capacity to judge; he must be courageous, honest, reliable, dependable, ambitious, diligent etc.
11. He must be fair and firm while dealing with his subordinates.
12. He must have the power of inspiring and motivating sales-forces.

Duties and Responsibilities of a Sales Manager

The important duties and responsibilities of sales manager are:

1. **Planning:** He has to formulate adequate plan i.e., sales plans, sales policies and sales programmes and sales budget every year. He must plan for advertising.
2. **Execution of Plans and Programmes:** As he is responsible he must ensure the execution of the plans. He must go into every detail, organize on sound principles and execute them.
3. **Marketing Research:** The sales manager analyses the market thoroughly. He studies the market condition and methods of distribution and organizes sales research of products. Marketing research gives solution to marketing problems. From the marketing research department, he can get up-to-date and reliable information, which will help him to take correct decision in marketing analysis.
4. **Control:** He controls sales. He controls selling operations and activities. He directs and fixes the sales target, territories, expense, transportation, quota etc., for each branch, selling agency or individual salesman, costing and budgeting.

5. **Physical Distribution:** He must be responsible for the physical distribution of products like order processing, packaging, transport and warehousing.
6. **Sales policy:** He must formulate effective sales policy. He must ensure effective co-ordination of sales policy with production policy and the publicity department.
7. **Sales Budget:** He must prepare sales budget for the sales organization. He controls selling cost analysis. Profit planning is possible with the help of sales budget and sales cost analysis.
8. **Distribution Channels:** There must be good relationship between the distributors and dealers. For that the sales manager has to select the appropriate channel of distribution.
9. **Sales Promotion and Advertising:** He must look after sales promotion and advertising campaigns to create consumer's demand. This will lead to secure more consumers' order for the goods.
10. **Management of Sales Force:** He is the leader of the organization. His leadership has to be effective. He must guide, encourage and control the staff. For this he must possess ability, foresight and initiation. He is responsible for the recruitment, selection, training, promotion, supervision, motivation and control of the salesmen.
11. **Sales Office:** He is the chief executive of the sales office. He must assign duties to personnel so as to ensure efficiency of office and routine work-meetings, conferences, contests etc.
12. **Advising Top Management:** He has to advise the top management about the operation of his department. He has to account for closing branches, which have losses, and for opening branches after a deep and detailed study.
13. He must help in product planning and product design.
14. He has to study the markets. A comparative study of competitors' products will help him to draw a policy which will bring success or enable him to meet the competition effectively.
15. He has to set out policies by which continued patronage of customers is expected.

Types of Sales Manager

There are three types of sales managers based on their functions. They are:

1. Administrative Sales Manager
2. Operating Sales Manager

3. Administrative-cum-Operating Sales Manager

1. **Administrative Sales Manager:** In a large company sales organization has generally administrative sales manager. He has to develop the structure of the sales organization. The sales organization is divided into many sub-departments. The sales manager is the administrative head of the sales organization, and is commonly known as general sales manager. He must have effective control over all the sub-departments. He must direct and co-ordinate the activities of the sub-departments. Success or failure of sales organization depends upon the ability of the general sales manager. He plans, directs and co-ordinates. As such the administrative sales manager is concerned more with thinking. That is he formulates sales, sales programmes, sales planning, evaluation of performance, co-ordination of activities etc.
2. **Operating Sales Manager**: Operating manager works under the administrative sales manager. He works under the direction, guidance and supervision of the general sales manager. He is actual executor of the plans which are prepared by the general sales manager. The plans are implemented and worked out by the operating manager. He is responsible for the management and development of sales personnel. His job is to direct and control the selling efforts of sales personnel. Hence he is concerned with 'doing' or executing of the plan. He executes the sales plan with the help of branches or divisions; and he directs the manager and field supervisors. These managers are subordinate managers. They help the sales administrative manager in preparing plans and formulating the policies. The final decisions generally rest with the general sales manager.
3. **The Administrative-cum-Operating Sales Manager:** In a smaller organization, this type of manger does all the functions with the help of salesmen and assistants in the sales office. He does the duties and responsibilities of administrative-cum-operating manager. In small firms involving a single product or limited products or restricted market, this type of combination i.e., administrative-cum-operating manger is suitable. In short, operating sales manager is both an administrator and an operator. He combines 'thinking and doing'.

Sales promotion

The word promotion, originates from the Latin word ‘Promovere’. The meaning is “to move forward” or to push forward or to advance an idea. The aim of production is sales. Sales and promotion are two different words and Sales Promotion is the combination of these two words. Sales promotion increases the sales. Sales promotion methods aim to capture the market and increase the sales column. It is an important instrument in marketing to lubricate the marketing efforts. Now-a-days sales promotion is a necessary tool to boost sales. Sales promotion becomes a fashion and luxury. In the broader sense it is not expenditure; it is an investment, as it pays rich returns.

Sales promotion is one among the three pillars of promotional mix. The other two pillars are personal selling and advertising. Sales promotion is the connecting link between personal selling and advertising. Sales promotion is an important and specialized function of marketing.

In consumer-oriented markets, the producer must know what is required by the consumers and to make the consumers know from where, when, how, and at what price, the products would be available. The most widely used methods of promotion are personal selling and advertising. Sales promotion is designed to supplement and co-ordinate personal selling and advertisement efforts.

According to the American Marketing Association, sales promotion is “those marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows, expositions, demonstrations and various non-recurrent selling efforts not in the ordinary routine.”

Objectives of Sales Promotion

The major objectives of sales promotion are:

1. To increase buying response at the customers’ level
2. To increase the sales effort of dealers and sales personnel
3. To attract new customers
4. To inform the public about the new product and its specialties, attraction and advantages
5. To capture the major share of the market

6. To create a favourable attitude towards the product
7. To simplify the job of middlemen
8. To meet the competition of other firms
9. To effect off-season sales to boost the sales
10. To stock more at the level of traders, through whom aggressive sales can be effected
11. To stimulate the demand by popularizing the products
12. To establish and maintain communications with large market segments
13. To keep the memory alive
14. To create additional talking points to sales-persons
15. To create brand image
16. To remove customers' dissatisfaction
17. To bridge the gap between advertising and personal selling
18. To retrieving lost account
19. To motivate sales force
20. To encourage repeat sales
21. To clear excessive inventories
22. To block competitors' moves
23. To speed up the sales of slow moving products
24. To generate short-term cash
25. To deflect customers' attention from price
26. To secure shelf-space in the selling places
27. To counter-balance price competitions
28. To build goodwill
29. To improve manufacturer-dealer relationship
30. To differentiate the company and its product from its competitors.

There are four methods involved in sales promotions

1. Consumer sales promotions
2. Trade sales promotions
3. Business to business promotions
4. Sales persons promotions

CONSUMER SALES PROMOTIONS (CSP)

In the previous section, we defined sales promotion as "those marketing activities other than selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness". In this section we are going to discuss promotional activities aimed at the final consumer. These activities rely on what is known as a "pull strategy"- that is they depend on the consumer to literally pull the product through the distribution channels. Before looking at the tools and techniques of (CSP) let us look at some of its specific goals:

a) Encourage trial: Most new products fail because too few people try the product or because trial does not lead to repeat purchase. Especially when the concept is new, most people are hesitant to take risks. Sales promotion directed at the consumer offers a reason for trying the new offering.

b) Encourage brand loyalty: It is not enough to persuade consumers to try your product. The real challenge lies in getting them to stay with your brand. As we saw with the subscription wars competitors are always ready to come up with counter offers to woo away your customers.

c) Increase product usage: (CSP) could also aim to persuade customers to buy a product in larger quantities.

d) Encourage consumption of other products in your line: when marketer's product portfolio consists of several related products, (CSP) may aim to create demand for more than one product.

e) Reinforce advertising efforts: (CSP) could help to emphasize product benefits highlighted in the advertising. Once you have decided what you want the (CSP) to achieve, a technique has to be chosen. A single technique or a combination of techniques may be used. The various tools/techniques involved in the (CSP) are:

Sampling: This consists in offering a small quantity of the product free, or at a very low cost, in order to encourage trial. It is most commonly used by large firms which produce packaged foods, health and beauty items. Hindustan Lever's and P&G samples for their detergent brands. Samples may be distributed door-to-door, through the mail, with magazines and newspapers in the store, or anywhere where your audience is likely to be. A sample can stimulate a higher rate of trial than any other promotional efforts. Sampling is however a costly way of introducing or encouraging trial of a new product. Sampling will only be successful only if trial translates into repurchase.

Couponing: A coupon is a certificate good for a specific price reduction, on a particular product, for a specific time period. It is a medium by which the manufacturer offers a consumer a price deal. If redeemed at a retail store, the coupon is used by the retailer and the wholesaler to gain reimbursement from the manufacturer. Coupons are most commonly used by manufacturers of packaged foods. Coupons can help a new product to be launched, build market share.

Money-back offer: In this case the marketer offers to return a certain amount of money to the consumer if he is not satisfied with the product. This may take the form of a full or partial refund, after the product is returned. Money-back offers help to reduce the risk involved in trying new products. They also help to reward existing customers, encourage multiple purchases, and persuade consumers to buy now rather than later. The disadvantage with this technique is that refunds are not available on the spot. Consumers are normally reluctant to go through the process of filling out refund forms, sending them in and waiting for cash back.

Price incentives: This is the use of a short term reduction in price to stimulate demand for an established product whose sales is declining. Such price incentives may take the form of price promotions or price packs. A price promotion is a short term reduction that is available to everyone who buys the product during the promotional period.

While some price promotions decrease the selling price by a specific amount (Rs 100 or Rs 500 off, depending on the product), others reduce it by a certain percentage (20% or 50% off). Price packs are generally more effective than price promotions. A price pack normally includes something extra with the regular product package. One type of price pack is the “bonus pack” which offers more of the product at the regular price. A second type of price pack is the “banded pack”. Here two or more units of a product are sold together at a lower price than if purchased separately. The “buy one get one free” offers are examples of banded packs.

Premiums: A premium is the offer of some type of mechandise or service either free or at a greatly reduced price to induce purchase of another product or service. The specific purpose of a premium is to induce present consumers to increase their use of brands or to purchase it in larger sized packets. It can also help to switch consumers from their present brand to that of the promoters brand in order to gain trial use, with hopes of repurchase. Premiums may be distributed in a no of ways:

By enclosing it in a product package known as a ***"in-pack"premium.***

By attaching it onto the package known as ***a "on pack" premium.***

By giving it away at the point of purchase, known as a "***shop or store" premium.***

By offering it as a container holding a product, called a ***"container" premium.***

By distributing it through mail in return for proof of purchase known as a ***"mall premium".***

Premiums may be classified In terms of whether they are offered free or at a reduced price. Premiums offered at reduced price are known as " self liquidating" premiums. The purpose of such a premium is to cover the manufacturers out of pocket costs. Premiums are also an expensive technique and unless tremendous volumes are generated no company can afford to do this.

Contests and sweepstakes: A contest is a promotion based purely on the participant's skills and abilities. It requires that the participants apply a skill in creating an idea, a concept or an end product contests are usually based on coining a name or a slogan for a new or existing product or answer a question related to a product. A sweepstake on the other hand is purely based on chance. Each participant has an equal chance of winning a prize from an extensive and expensive list of rewards lucky draws and lottery's are examples of this. Both contests and sweepstakes are powerful sales promotions devices as they have the ability to involve the customer and build excitement around the product. The disadvantage with these techniques is that it is difficult to test them in a limited market before using them on a national basis.

***Frequency programmes*:** As the name suggests the purpose of such a promotion is to increase frequency of purchase. This is usually an on- going promotion used commonly by service industries. The "frequent flyer" programme offered by the airlines is the best example of this. The advantage of such a programme is that they build a long term brand loyalty with the customer.

***Point of purchase displays*:** Attractive displays of a product can trigger purchases even if the purchase was not originally planned. Point of purchase display materials such as special merchandise racks, banners and danglers etc. can be used to effect, to encourage consumers to try new products, switch brands or make unplanned purchases.

Joint sales promotion: Consumer sales promotions need not always be for a single advertiser's product. Often two or more marketers join together and offer a combined promotion. The biggest advantage with this type of promotion is that the sharing of work loads and expenses. The disadvantage is that the loss of control over creative, media and budget elements.

TRADE SALES PROMOTIONS (TSP)

CSP contributes only partially to the success of a product. Much also depends on the willingness of wholesalers and retailers to carry and sell the product. This is particularly important today when power has shifted from the marketer to the retailer. A few years ago, companies with huge advertising budgets and extensive distribution networks could use their marketing muscle to move products onto retail shelves. Today retailers command terms and demand incentives from the manufacturer for giving preference to his products. Some specific objectives of TSPS are:

1. Encourage stock of new products.
2. Raise or lower inventory levels of an existing product.
3. Provide an incentive to sell a product.
4. Encourage more prominent and attractive display of a product. Offer support and training for distributors and the sales force. Strengthen relations with the trade.

Either one or a combination of tools/techniques may be used to achieve the above goals:

Trade deals: This is a short term arrangement whereby the wholesaler and the retailer agrees to give a manufacturers product a special promotional effort. The deal could take the form of product discounts, cash payments or additional discounts offered by the manufacturer.

***Buying allowance*:** this could take the form of cash payment, a product discount or additional goods offered to a distributor to encourage him to carry a new item that he may not ordinarily buy or to encourage purchase of a certain quantity of an existing product during a certain period. It is a push strategy.

***Display allowance*:** this is a cash payment given in a form of a fee or a discount in exchange of a desirable shelf, location or space for a point of purchase display. It is generally given to support an established product.

***Slotting allowance*:** this is a technique generally used to promote new products. It also involves a cash payment or a fee given to the retailer in exchange for a slot or position on a shop shelf.

Sales support: both dealers and the sales force need to be equipped with some basic selling tools in order to push the product. Sales support could take the form of training programmes, seminars, product demonstrations and distribution of materials such as brochures, videotapes and slides that show detailed product information. Prepared by the advertiser for dealer or salespersons use these materials could be presented to prospects during sales calls at (POP) or at trade shows.

Yellow pages advertising: this form of advertising is much more common in the U.S than in India. An ad in the yellow pages of a directory creates awareness regarding availability of your product. Once a prospect has seen an ad or a commercial for your product he tends to check the yellow pages to see where he can buy it.

Specialty advertising: This way of advertising in non-traditional media. Pens, calendars, diaries are all example of specialty advertising. In contrast to premiums which are given only when purchasing a product, specialty items are offered free of charge without having to purchase something. Their purpose is to create goodwill.

BUSINESS TO BUSINESS (B2B)

Business to business is also an important method of sales promotions. But they are used for industrial products and not much for consumer products. Therefore their sales promotions techniques may also differ from that of consumer products. For example a company needs spare parts as a major input or raw material then it will have an auction where different suppliers will come and the supplier that bids the lowest price will be chosen. Now suppose the company wants 1,00,000 spare parts then it will go for economies of scale and try and purchase say about 80,000 spare parts from that particular supplier with some sort of concession.

SALES PERSON'S PROMOTIONS

The following promotion aids are used for sales force promotions:

a) ***Sales meetings*:** producers often organize annual meetings for the sales force for giving them necessary information about any new product to be introduced, new sales plans and techniques and the new sales programme of the producers.

b**)** ***Contest****:* sales contest for the salesman are organized from time to time by the producers. They are awarded with cash prizes and other benefits on the basis of highest sales, minimizing field expenses etc.

c) ***Sales literature and letters****:* salesmen are provided with various printed literatures, such as sales manuals, folders, price lists, designs and directories of customers etc. it is extremely helpful to them un their contacts with customers.

d) ***Product demonstration kits and visual sales aids****:* salesmen are often provided with sales kits, containing the models of industrial and technical products.

e) ***Premiums bonus and gifts****:* premiums are given for achieving prescribed sales quotes. Bonus is paid to salesmen from the portion of profits of the firm every year to motivate him for better efforts. Gifts are also given on special occasions such as Diwali, Holi etc.

Points to remember

- **Types of Sales Manager**
  1. Administrative Sales Manager
  2. Operating Sales Manager
  3. Administrative-cum-Operating Sales Manager

- ***SALES PERSON'S PROMOTIONS***
  1. *Sales meetings*
  2. *Contest*
  3. *Sales literature and letters*
  4. *Product demonstration kits and visual sales aids*
  5. *Premiums bonus and gifts*

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

52. **Introduction – Advertising**
53. **Role of Advertising**
54. **Types of advertising**
55. **Media planning - The Process**
56. **Advertisement Copy**
57. **Qualities of a good advertisement copy**

Advertising

Advertising is as old as trade and commerce. The ancient Babylonians and the Romans contributed significantly to the early growth of advertising. The nineteenth century saw the introduction of magazines which also grew into a big advertising medium. The modern day of advertisement agency has its origins during this period. Starting as agents for newspapers, the agency diversified into other services such as copy-writing, and played the role of consultants to advertisers. This marked the beginning of the modern-day, full service and agency. The early twentieth century was the golden age of advertising.

In India, advertising, as a potent means of sales promotion, was accepted hardly three decades ago. This delay is obviously attributable to its late "industrialisation". But today, India too has emerged into an industrial country, giving boost to "advertisements" that appear regularly, in local and national newspapers, magazines, periodicals, TV etc. These days, people use "Advertising" in various walks of life, Manufacturers use large-scale advertising for impressing people with the utility of their products. Businessmen advertise inviting individuals to invest money in their concerns. Employers advertise for application for various vacancies in their companies for selecting the best of the applicants. The unemployed persons advertise their readiness to serve. In this manner, "advertising" has become indispensable, in modern life.

Littlefield defines it as “Advertising is mass communication of information intended to persuade buyers as to maximize profits.”

Economic role of Advertising

Value of Products:

The advertised products are not always the best products in the market. There are some unadvertised products also present which are good enough. But advertising helps increase value for the products by showing the positive image of the product which in turn helps convincing customers to buy it. Advertising educates consumers about the uses of the products hence increasing its value in minds of the consumers. For e.g. mobile phones were first considered as necessity but nowadays the cell phones come with number of features which makes them mode of convenience for consumers.

Effect on Prices:

Some advertised products do cost more than unadvertised products but the vice versa is also true. But if there is more competition in the market for those products, the prices have to come down, for e.g., canned juices from various brands. Thus some professional like chartered accountants and doctors are not allowed to advertise. But some products do not advertise much, and they don’t need much of it and even their prices are high but they are still the leaders in market as they have their brand name. e.g., Porsche cars

Effect on consumer demand and choices:

Even if the product is heavily advertised, it does not mean that the demand or say consumption rates will also increase. The product has to be different with better quality, and more variety than others. For E.g., Kellogg’s cornflakes have variety of flavours with different ranges to offer for different age groups and now also for people who want to lose weight thus giving consumers different choices to select from.

Effect on business cycle:

Advertising no doubt helps in employing more number of people. It increases the pay rolls of people working in this field. It helps collecting more revenues for sellers which they use for betterment of product and services. But there are some bad effects of advertisements on business cycle also. Sometimes, consumer may find the foreign product better than going for the national brand. This will definitely effect the production which may in turn affect the GDP of the country. The economic aspects are supported by the Abundance Principle which says producing more products and services than the consumption rate which helps firstly keeping consumers informed about the options they have and secondly helps sellers for playing in healthy and competitive atmosphere with their self interest.

Social role of Advertising

There are some positive and some negative aspects of advertising on the social ground. They are as follows.

Deception in Advertising:

The relation between the buyers and sellers is maintained if the buyers are satisfied with what they saw in advertise and what they got after buying that product. If seller shows a false or deceptive image and an exaggerated image of the product in the advertisement, then the relation between the seller and buyers can’t be healthy. These problems can be overcome if the seller keep their ads clean and displays right image of the product.

The Subliminal Advertising:

Capturing the Minds of the consumers is the main intention of these ads. The ads are made in such a way that the consumers don’t even realizes that the ad has made an impact on their minds and this results in buying the product which they don’t even need. But “All ads don’t impress all consumers at all times”, because majority of consumers buy products on basis of the price and needs.

Effect on Our Value System:

The advertisers use puffing tactics, endorsements from celebrities, and play emotionally, which makes ads so powerful that the consumers like helpless preys buy those products. These ads make poor people buy products which they can’t afford, people picking up bad habits like smoking and drinking, and buy products just because their favourite actor endorsed that product. This affects in increased the cost of whole society and loss of values of our own selves.

Offensiveness:

Some ads are so offensive that they are not acceptable by the buyers. For example, the ads of denim jeans showed girls wearing very less clothes and making a sex appeal. These kinds of ads are irrelevant to the actual product. Btu then there is some ads which are educative also and now accepted by people. Earlier ads giving information about birth control pills was considered offensive but now the same ads are considered educative and important.

But at the last, there are some great positive aspects which help

- Development of society and growth of technologies
- Employment
- Gives choices to buyers with self interest
- Welcomes healthy competition
- Improving standard of living.
- Give information on social, economical and health issues.

Types of advertising

A successful advertising campaign will spread the word about your products and services attract customers and generate sales. Whether you are trying to encourage new customers to buy an existing product or launching a new service, there are many options to choose from.

The most suitable advertising option for your business will depend on your target audience and what is the most cost effective way to reach as many of them as possible, as many times as possible. The advertising option chosen should also reflect the right environment for your product or service. For example, if you know that your target market reads a particular magazine, you should advertise in that publication.

The following list is an introduction to advertising tactics that you could use. Remember, you can always be creative in your advertising to get noticed (within advertising regulations).

Newspaper

Newspaper advertising can promote your business to a wide range of customers. Display advertisements are placed throughout the paper, while classified listings are under subject headings in a specific section.

You may find that a combination of advertising in your state/metropolitan newspaper and your local paper gives you the best results.

Magazine

Advertising in a specialist magazine can reach your target market quickly and easily. Readers (your potential customers) tend to read magazines at their leisure and keep them for longer, giving your advertisement multiple chances to attract attention. Magazines generally serve consumers (by interest group e.g. women) and trade (industry/business type e.g. hospitality).

If your products need to be displayed in colour then glossy advertisements in a magazine can be ideal - although they are generally more expensive than newspaper advertisements.

Magazines do not usually serve a small area such as a specific town. If your target market is only a small percentage of the circulation, then advertising may not be cost-effective.

Radio

Advertising on the radio is a great way to reach your target audience. If your target market listens to a particular station, then regular advertising can attract new customers.

However, sound has its limitations. Listeners can find it difficult to remember what they have heard and sometimes the impact of radio advertising is lost. The best way to overcome this is to repeat your message regularly - which increases your costs significantly. If you cannot afford to play your advertisement regularly, you may find that radio advertising does not generate strong results.

Television

Television has an extensive reach and advertising this way is ideal if you cater to a large market in a large area. Television advertisements have the advantage of sight, sound, movement and colour to persuade a customer to buy from you. They are particularly useful if you need to demonstrate how your product or service works.

Producing a television advertisement and then buying an advertising slot is generally expensive. Advertising is sold in units (e.g. 20, 30, 60 seconds) and costs vary according to:

- the time slot
- the television programme
- whether it is metro or regional
- if you want to buy spots on multiple networks.

Directories

Directories list businesses by name or category (e.g. Yellow Pages phone directories). Customers who refer to directories have often already made up their mind to buy - they just need to decide who to buy from.

The major advantage of online directories over print directories is that if you change your business name, address or telephone number, you can easily keep it up to date in the directory. You can also add new services or information about your business.

If your target market uses print and online directories, it may be useful to advertise in both, although print directories are being used less.

Outdoor and transit

There are many ways to advertise outside and on-the-go. Outdoor billboards can be signs by the road or hoardings at sport stadiums. Transit advertising can be posters on buses, taxis and bicycles. Large billboards can get your message across with a big impact. If the same customers pass your billboard every day as they travel to work, you are likely to be the first business they think of when they want to buy a product.

Even the largest of billboards usually contain a limited amount of information; otherwise, they can be difficult to read. Including your website address makes it easy for customers to follow up and find out more about your business. Outdoor advertising can be very expensive especially for prime locations and supersite billboards.

Direct mail, catalogues and leaflets

Direct mail means writing to customers directly. The more precise your mailing list or distribution area, the more of your target market you will reach. A direct mail approach is more personal, as you can select your audience and plan the timing to suit your business. A cost effective form of direct mail is to send your newsletters or flyers electronically to an email database. Find out more about direct mail.

Catalogues, brochures and leaflets can also be distributed to your target area. Including a brochure with your direct mail is a great way to give an interested customer more information about your products and services. Learn more about leaflet marketing using letterbox drops and handouts.

Online

Being on the internet can be a cost-effective way to attract new customers. You can reach a global audience at a low cost. Many customers research businesses online before deciding whom to buy from.

A well-designed website can entice customers to buy from you. There are a number of ways you can promote your business online via paid advertising or to improve your search engine rankings. Learn more about doing business online.

Other ways to advertise your business online include promoting your products or services on social media sites, blogs and search engines and other websites that your target audience visits.

Media planning

You are creating advertising for a new product. To complete this task, you need to go through the media planning process. Media planning in advertising is the making of decisions to deliver a message to the target audience.

The Process

Now that you understand what media planning is, it is time to review the process. The process includes:

- Market analysis
- Establishing the media objective
- Setting the strategy
- Implementation
- Evaluation and follow-up

Market Analysis

Performing a market analysis involves determining who your audience is. The audience is the number and type of people your advertising targets. The audience can be classified according to age, sex, income, occupation, etc. Performing this analysis will help you to project costs and determine the right media for your campaign.

Establishing the Media Objective

The media objective is the goal of the media plan. To establish this objective, you must determine your goal for reach, frequency, circulation, cost, and penetration. Reach is the amount of people the message is in front of over a period of time. Frequency is the average number of times the message is in front of those people. Circulation is used for printed advertisements. This is the number of prints that are produced and sent out. Cost is broken down into two different sections: cost per thousand (CPM) and cost per person (CPP). It is important to understand the cost as you are budgeting. The cost will tell you which form of media is the best option for your business. Penetration is the number of audience members reached by the advertising. The company must determine if it wants to take over a market or just reach a certain group prior to setting the penetration goals and strategies.

Setting the Strategy

Now that you understand who you are marketing to and how much it will cost you, you will need to make a decision about what type of media you will use. Some options include Internet, television, radio, newspaper, consumer and business publications, and interactive media platforms. Which option reaches the largest audience? How often will it reach the audience? Does it fit in your budget?

Implementation

Now you have a plan. Now it's time to set it in motion. This is when you buy media. Media buying is the purchasing of the space in the selected media. This involves committing to the media provider, submitting the ad, and paying the bill. This is the exciting part. You see all your hard work come together.

Evaluation and Follow-up

After everything is said and done, it is time to see how successful your media plan was. To do so, you need to follow-up and evaluate the results. Ask yourself, 'Did we meet media objectives? How successful were the strategies?' The success of this media plan will determine future media plans.

Examples:

Example #1: You are promoting a new candy bar. This candy bar has nutrition that gives you energy. Therefore, the target audience is athletes.

Athletes are not usually lounging around watching television. They listen to a lot of radio. You've determined you can advertise through an online radio company that plays advertisements one time every ten minutes. You've set a goal (media objective) of getting your advertisements in front of 1,000 people (reach) per day (frequency). The number of advertisers is limited to six per station, so you are guaranteed once every hour (frequency). Their stations average 200 listeners per hour. With a cost of $1,000 per day, 4,800 listeners per day, you are paying $0.21 per person (CPP). This fits in your budget, so you implement the media plan.

After two weeks you evaluate the media plan. You successfully met your media objective of reaching at least 1,000 people per day. There was also a 20% increase in sales. You continue the campaign.

Advertisement Copy

The term copy is a very wide term. It refers to "the reading matter that forms the text of the advertisement, whether the text consists of only one word or many thousand words".

It may be defined as "all the written or spoken material in it, including the main body, headlines subheads and all other printed elements such as picture captions, slogans, brand names, trademarks, prices, logotypes".

Thus, an advertisement copy is the reading matter, the words, sentences, paragraphs, subheads and headlines and figures in an advertisement.

A good advertisement copy should have the AIDA formula. *A* stands for attention, *I* for interest, *D* for desire and *A* for action. So, an advertisement copy performs the following functions.

Attention: The advertisement copy should arrest the attention of people.

Interest: The advertisement copy should arouse the interest of people.

Desire: It must create a desire.

Action: Finally, a good advertisement copy converts the desire of the people into action. It results in the purchase of the product. Apart from this, the following can be expressed as the qualities of a good advertisement copy.

Qualities of a good advertisement copy

1. Attention value

Most advertisement are published in the print media. So, the readers may not be inclined to go through each advertisement. As a result, many advertisements go unnoticed. So it is necessary for the advertiser to attract the attention of people towards his advertisement. The following make an advertisement attractive.

i. using pictures
ii. using attractive headlines and slogans
iii. using artistic borders and enough blank space
iv. Introducing contests and reply coupons.

Example: _________ BRITISH AIRWAYS

"The world is waiting when you wake up".

2. **Suggestive value**

The advertisement should suggest the advantages of buying a particular brand

Examples:

a) Tata Indigo (car)

"For those who love to travel business class; here is something to look forward to".

b) Raymond – "The Complete man"
c) OCM suiting's – "The secret of style"

3. **Memorising value**

A reader should remember an advertisement for a long time. Only good advertisement copies leave a lasting impression on the reader's mind. People remember the advertisements when they are repeated. Catchy slogans may also be used in the advertisement to enhance memorizing value.

Examples:

i. Union Bank of India "Good people to bank with"
ii. HCL "Smart solutions for your office"

4. **Conviction value**

All advertisements should convince a reader totally with regard to the subject matter of advertisement. It is important that advertisements do not contain any false statement for the sake of attracting readers.

For example, the advertisement of Union Bank of India has headlines "Customized NRI services from Union Bank of India". To create conviction vale for this advertisement, it lists NRI services as follows:

- Specialized branches to cater to NRIs
- Internet banking facilities
- International debit/credit card

- Payment of utility bills – Union Bill, payable only in India

5. **Sentimental value**

   A good advertisement always respects the sentiments of the readers.

   i. Crompton Greaves in its advertisement touches the spirit of patriotism. The advertisement reads "While international brands are flooding the Indian market, one Indian brand is making waves in the international market". It further says, "With a global manufacturing base in five countries besides India, and local marketing with distribution strength in over 150 countries, Crompton Greaves is developing technologies that are not just value added, but which are also revolution ship future markets. We are truly, an Indian Multinational". When we read this advertisement, we all feel proud of owning the Crompton Greaves products.
   ii. Advertising for issue of NABARD capital gains bond appeals to the sentiments as follows: "Channelising urban resources to brighten lives in rural India".

6. **Educational value**

An advertisement should enlighten people on the nature and value of a product. It should also educate customers about the negative aspects too. For example, advertisement for cigarettes contains a statutory warning that cigarette smoking is injurious to health. The advertisement of "Reliance Hello" educates the buyers by stressing the various benefits of the product which are not available from an ordinary landline.

7. **Instinct value**

Instinct is nothing but an impulse; an involuntary prompting to action. An advertisement should first trigger our instincts and then convert them into desirable behaviour. These instincts may be pride, beauty, healthy, economy, fear, etc.

8. **Action value**

Advertisements should induce people to buy the product advertised. The ultimate objective of advertisement is to promote sales. This is possible by emphasizing the company's image, brand name, reputation of the dealer, etc.

Points to remember

- Advertising is mass communication of information intended to persuade buyers as to maximize profits
- **Types of advertising**

  1. Newspaper
  2. Magazine
  3. Radio
  4. Television
  5. Directories
  6. Outdoor and transit
  7. Direct mail, catalogues and leaflets
  8. Online

- Media planning- The Process

  1. Market analysis
  2. Establishing the media objective
  3. Setting the strategy
  4. Implementation
  5. Evaluation and follow-up

- **Qualities of a good advertisement copy**
  1. Attention value
  2. Suggestive value
  3. Memorising value
  4. Conviction value
  5. Sentimental value
  6. Educational value
  7. Instinct value
  8. Action value