ROLE OF MARKETING MANAGEMENT IN THE ADMINISTRATION OF CORPORATE SECTOR

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Abstract: **Marketing is a very important aspect in business since it contributes greatly to the success of the organisation. production and distribution depend largely on marketing .Many people think that sales and marketing are basically the same .These two concepts are different in many aspects. Marketing covers advertising, promotion, public relation, and sales. It is the process of introducing and promoting the product or service into the market and encourages sales from the buying public. Marketing management is, in its essence at the very core of corporate development. The assumption is that all goods and services produced by an enterprise need to be brought within the reach of, and made available at competitive price, the market that it seeks to exploit. Nature and quality of products and services, pricing policies, competition, distribution network, retail outlets, vendor development, brand promotion and effective market research and control are some of the salient feature of the complex task of marketing. The focus is on marketing available and selling products and services that are acceptable, useful, competitively priced and backed by effective after sale service. Marketing is a cornerstone activity for any organisation. It is one of the utmost activities that an organisation does from its inception to growth, till it is in the business. Its effectiveness could be gauged from the fact that it is one of the utmost reasons for any organisation to bloom or go down the memory lane. We've all heard someone in the course of business say that "marketing is fluff and hype." However, the wisest, most savvy, and most successful businesspeople understand that marketing is far from that. Marketing is everything you do on a daily basis to sell a product or provide a service to a customer. Marketing encompasses every way in which a customer perceives a business and everything that generates enough interest from a customer and encourages customers to actually pay for the product or service. As Peter Vessenes suggests, cash may be king, "but marketing is everything." What does it really mean to market your service or product? Often, people immediately equate marketing with advertising and see only the amount of money that advertising will cost. However, by definition, marketing is actually the process by which we offer goods or services up for sale. Forward-thinking marketing strategists suggest that marketing is not a "cost" or "expense" but rather an investment, because much of the benefit of marketing is longer-term and may take years to fully provide its benefit. Marketing has also been referred to as a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others. Additionally, it is all too often equated only with the more focused function of selling. But marketing encompasses a wider range of activities that must be a fully integrated process and, indeed, will form a foundation and catalyst for making sales. Further, the key to successful sales is a consistent proactive marketing strategy. Competitive Marketing Strategy (CMS) has relationship marketing (RM) as one of the key functionality in enhancing business performance. RM is defined as the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers to create value for customers and profit for organization by a series of relational exchanges that have both a history and a future. Relational exchanges can be viewed under transaction cost analysis and social exchange theories depending on the context. The role of RM in CMS includes: guide moments of truth, improve profitability, build partnering, address 'Customer Better', buy in of customer attention, protect emotional well being, understand consumer psyche, build trust with customer. All these roles are observed empirically in the hotel industry, with some hotels placing emphasis on their extraordinary operations and services to engage with the customer.**

Keywords: **Strategic Marketing, Firms, Deployment, Resources, Performance, relational exchanges, emotional wellbeing, trust, profitability, partnering**

1. INTRODUCTION

The term marketing has been derived from the world market. Market is generally understood as the place or geographical area. It is generally recognized that marketing is central to a business it defines what customers want and need, and because it direct the resource of the business to meet these needs. The rapid change in the marketing environment over the past decade has increase an awareness of the importance of marketing. Business have had to face increasing competition, economic fluctuations, political changes and the need to become more ecologically aware. Successful marketers will be those who can best define and satisfy consumer requirement in the context of the ever-changing marketing environment.

Corporate marketing is the means by which a corporation or organization attracts potential customers. A corporate marketing team is responsible for determining how to reach the company's desired customers, and determining what kinds of advertising and messaging tactics will appeal to them.

Marketing campaigns that fall flat often have disastrous effects on a company's bottom line. Think back to the introduction of New Coke to celebrate original Coca Cola's 100 years of success. Customers preferred the old Coke formula, and as a result the company took a substantial hit. No amount of marketing dollars could save a bad idea—and a lot of them were spent trying.

The environment is dynamic, which means that a business has to constantly monitor. These variables to determine their impact. on the business , its customers and its competitors . Society largely depends on business to satisfy its wants and needs. Businesses, on the other hand depend on their environment to supply them with resource such as labour, capital , and raw material . Businesses and society therefore influence each other through this exchange and depend on each other for their existence .This mutual dependence makes it important that businesses establish sound relation with the community and vice versa . The outside environment is however very complex and the business have little or no control over most of the variables.

Information is a prerequistic in all commercial activities and can be regarded appropriately as the lifeblood within which business interactions unfold .Bartel (1962), in documenting the historical development of marketing research and its evolution , traces the emergence of a concern towards the increasing need for accurate marketing information as well as the growing utilization of scientific methods in marketing information as well as the growing utilization of scientific methods in marketing management . Behind the notion of any marketing research exercise is a belief that managerial problem can be solved much more readily by the use of facts.

A business executive's capacity to make sound reqires him to seek a reduction in the risks and uncertainties in the following a particular course of action and in enhancing the probability of making decisions in the right direction. In so doing, there is an attendant need for the systematic sieving, selection, collation, processing, assessment, and communication, of relevant information to the right persons. An ability to put forth sensible and logical assumption for the purpose of making more accurate planning and forecasting decisions is also of paramount importance importance .In considering the full potential of new information technology , it is therefore imperative to look at information system as much from a boarder perspective.

The construction of an information system for the purpose of marketing research poses relatively less difficuilties domestically than internationally .Moyer(1968) believes that the task of marketing research in the international arena introduce two additional handicaps . Firstly, the research for any one particular industrial sector would now need to cover a greater number of diverse markets, encapsulating a larger geographical spread, each area with its own peculiar and unique features which make generalization all the more difficuilt .Secondly, the research operation would now seem to encounter a paucity of statistical source whose reliability has always remained uncertain, especially for the less developed countries.

Successful campaigns, however, have enormous impacts that cause a brand to remain in the cultural consciousness for decades. The Pepsi Challenge campaign, started in 1975, has been so successful that many companies have since employed the "blind taste test" in their own marketing campaigns.

While these are highly visible examples of corporate marketing, many forms of corporate marketing are more subtle. Corporate newsletters, email campaigns, sales, coupons, contests, advertisements, magazine inserts, online advertising, social media, radio spots, and direct mail campaigns all play parts in a corporate marketing campaign*(See also Traditional Marketing)*. And likewise, corporate marketers may specialize in a variety of areas, including graphic design, website design, branding, social media, copywriting, research, and corporate communication

Market segmentation is about describing and dividing people .Imagine you can find all of the people who could potentially benefit from your product and your product and you ushered them all into a giant room. Once in the giant room, you could divide them up into different groups depending on some set of characteristic .Well, metaphorically speaking, that's what market segmentation does. It seeks to identify the people who may have want or need for you product, the divides them into groups so that you may serve them more efficiently and profitably.

In doing the market segmentation, that marketer is basically looking towards its which is the set of actual and potential buyers of a product with want satisfying products and services.. To be successful in its marketing efforts a company should understand the characteristics of the market in order to sense, serve and satisfyits consumers market with its products.

what is the comman structure of the law of business corporation –or ,as it would be put in some jurisdiction , company law –across different national jurisdiction ?Although is rarely asked by corporate law scholors ,it is critically important for the comparative investigation of corporate law scholars , it is critically important investigation of corporate law. Recent scholarship often emphasizes the divergence among European, American, and Japanese corporation in corporate governance, share ownership, capital markets, and business culture. But, notwithstanding the very real differences across form is at least as impressive. Business Corporation have a fundamentally similar set of legal characteristic –and face a fundamentally similar set of legal problems ---- in all jurisdiction.

A large number of legislation govern and regulate their working directly or indirectly while the companies act in india has evolved since 1850 , other acts are essentially the productof independent india . Industries (Developmentand regulation)Act, 1951,Monopilies and restrictive trade practices Act,1969and Sick Industrial companies(special provisilon)act (SICA),1985 have been some of the corporate legislation which lay down legal parametres and the procedures of functioning of companies . A host of legislation provide a legal framework within which companies in india operate. These legislation, commonly called corporate laws, inter alia, include the companies act, 1951. On 6 april 1948 , the central government announced its industrial policy which affected the country as a whole and development of which ought to be governed by economic factors of all –india import , were required to be brought under central control .To achieve bill was introduced .these may be well call corporate laws .

The purpose of competitive strategy is to achieve a sustainable competitive advantage (SCA) and thereby enhance a business performance (Bharadwaj, 1993). One of the major objectives of marketing strategy is to enhance the long-term financial performance of a firm. As such competitive marketing strategy serves to improve financial performance of the firm through the route of sustainable competitive advantages. There are four essential requirements for a resource/ skill to be a source of SCA (Barney, 1991). It must be valuable; it must be rare among competitors; it must be imperfectly imitable; there must not be any strategically equivalent substitutes for this resource skill. Sources of SCA leads to positional competitive advantage (differentiation and low cost). Sustainability of positional advantages leads to superior long-term market and financial performance. Formulating competitive marketing strategies also involves, recognizing relationships between elements of the marketing mix as well as assessing the impact of competitive and market conditions on marketing mix formulation. A model (Carpenter, 1987) has been outlined of the relationship between product quality levels, promotion expenditures and prices and assesses the impact of industry structure on the formulation of marketing mix. Relationship marketing serves as a moderator for the sustenance of positional advantages and influences the impact of competitive and market conditions on the formulation of the marketing mix. Competitive advantage is realized based on three factors (Sudarshan D, 1995): (1) the firm's marketing strategy, (2) implementation of this strategy and (3) the industry context (Porter's model). An important component of firm's marketing strategy is relationships. Relationships with customers, channel members and with competitors. He defines each relationship by the identity of the partner public and the contract with it.

2. OBJECTIVE OF MARKETING MANAGEMENT

We can distinguish between a social and a managerial definition for marketing. According to a social definition, marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others. As a managerial definition, marketing has often been described as "the art of selling products." But Peter Drucker, a leading management theorist, says that "the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy."7 The

American Marketing Association offers this managerial definition: Marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.8 Coping with exchange processes—part of this definition—calls for a considerable amount of work and skill. We see marketing management as the art and science of applying core marketing concepts to choose target markets and get, keep, and grow customers through creating, delivering, and communicating superior customer value

The term "market" originates from the Latin word "Marcatus" which means "a place where business is conducted." A layman regards market as a place where buyers and sellers personally interact and finalise deals. According to Perreault and McCarthy, market is defined as a group of potential customers with similar needs or wants who are willing to exchange something of value with sellers offering various goods and/or services to satisfy those needs or wants. Of course, some negotiation will be needed. This can be done face-to-face at some physical location (for example, a farmer's market). Or it can be done indirectly through a complex network that links middlemen, buyers and sellers living far apart. Depending upon what is involved, there are different types of markets which deals with products and/or services such as:

(1) Consumer Market: In this market the consumers obtain what they need or want for their personal or family consumption. This market can be subdivided into two parts—fast moving consumer goods market from where the consumers buy the products like toothpaste, biscuits, facial cream etc. and services like internet, transportation etc. Another is durables market from where, the consumers buy the products of longer life like motorcycles, cars, washing machines etc. and services like insurance cover, fixed deposits in the banks and non-banking financial companies etc.

(2) Industrial/Business Market: In this market, the industrial or business buyers purchase products like raw materials (iron ore, coke, crude oil etc.), components (wind-screen, tyres, picture tubes, micro-processors etc), finished products (packaging machine, generators etc.), office supplies (computers, pens, paper etc.) and maintenance and repair items (grease, lubricating oil, broom etc.). Apart from products, now-a-days due to outsourcing the industrial buyers also require a number of services like accounting services, security services, advertising, legal services etc. from the providers of these services.

(3) Government Market: In most of the countries central/federal, state or local governing bodies are the largest buyers requiring and number of products and services. Government is also the biggest provider of services to the people, especially in a developing country like India where army, railways, post and telegraph etc. services are provided by the Central Government and State Govt. and local municipality provides services like roadways and police and sewage and disposal and water supply respectively.

(4) Global Market: The world is rapidly moving towards borderless society thanks to information revolution and the efforts of WTO to lower the tariff and nontariff barriers. The product manufacturers and service providers are moving in different countries to sustain and increase their sales and profits. Although the global companies from the developed countries are more in number (AT & T, McDonald's, Ford Motors, IBM, Sony, Citi Bank etc.); the companies from developing countries are also making their presence felt in foreign countries.

3. MARKETING MANAGEMENT PHILOSOPHIES

The Five Marketing Philosophies help determine the management of marketing. Companies approach and conduct business in different ways in order to achieve their organizational goals. The five competing concepts by which companies are guided in their marketing efforts are:

1. **Production concept**, which is based on the fact that consumers favor products that are available and affordable. Concentration on production efficiency and effective distribution networks outweigh the customer's actual needs and wants. This is used primarily when demand exceeds supply and the focus is on finding production methods that can bring the price down to attract more customers.

2. **Product concept**, which is based on ways to improve the quality, performance, and features to attract buyers. This philosophy tends to spend too much time adding features to their products, rather than thinking about what people actually need and want.

3. **Selling concept**, which places the focus on sales rather than what people actually need or want. Most of the time the product is misrepresented which results in high customer dissatisfaction.

4. **Marketing concept**, According to this concept, customer satisfaction is the key to organizational success. It assumes that a firm can achieve its objective of maximizing profit in the long run only by identifying and satisfying the need of present and prospective buyers in an effective way. Business firms don't sell what they can make; rather they make and sell what customers want.

This concept is based on the following pillars:

(i) To identify the market or customers who are selected as the target of marketing effort.

(ii) To understand the needs and wants of customers in the target market.

(iii) Developing products or services for satisfying the needs of the target customers.

(iv) To ensure better satisfaction of needs of the target market as compared to competitors.

(v) To do all this at a profit.

5. Social marketing concept:

The marketing concept has been criticized by some of the people because of the challenges posed by social problems like environmental pollution, deforestation, population explosion, inflation etc.this is because any activity which results in customer satisfaction but is harmful for the interest of the society at large cannot be justified. Therefore, the firms must perform the functions of marketing keeping in view the social welfare. For example. No to plastic bags, recycled paper. societal marketing concept, which not only uses the same philosophy as the marketing concept, but also focuses around the products benefit to the betterment of society as a whole. Greater emphasis is put on environmental impacts, population growth, resource shortages, and social services. The marketing concept relies upon marketing research to define market segments, their size, and their needs. The marketing department makes the appropriate decisions to satisfy those needs.

4. MARKETING FOR A CONSUMER DURABLE COMPANY IN INDIAN CONTEXT

Marketing generates resources that are ploughed back to the economic system and it fasten the process of growth for the country over a period of time people in industry ,government and academia have realized the macro level importance of marketing .

Mass market heavy goods (such as washing machines, refrigerators, furniture) intended to last three or more year's .Also called durable goods or hard goods.

Marketing looks into the business management challenges like Environmental scanning, identification of marketing opportunities formulation of marketing programmes, evaluation and trackng of consumer choice and response to business. Marketing aids the consumer to have choice and final say in the acceptance of a marketing offer available to him. The easy availability of high quality goods and services. Products and services useful if they are available for consumption at the right time and place.

Management of marketing creates such utility. Marketing generates additional employment, increases per capita income and helps in the overall progress of an economy. The per capita availability of essential goods is an indicator of the level of consumption and poverty in an economic system.

The difference between selling and marketing for industrial products:

Marketing as a concept and approach is much wider than selling and is also dynamic as the focus is on the customer rather than the product. While selling revolves around the needs and interest of the manufacturer or marketer, marketing revolves around that of consumer.

It is the whole process of marketing and satisfying the needs of the customer. Marketing consists of all those activites that are associated with product planning, pricing, promoting and distributing the product or service. The task commences with identifying consumer needs and does not end till feedback on consumer satisfaction from consumption of the product is received. It is a long chain of activity, which comprises production, packaging, become the guiding force behind all these activities. Profits are not ignored but they are built up on a long run basis. Mind share is more important than market share in marketing. Difference between selling and marketing.

1. Selling is emphasis is on the product. Marketing emphasis is on consumer needs and wants.
2. In selling Company manufactures the product first and then decides to sell it .In marketing Company first determines customer 's needs and wants to produce and deliver a product to satisfy these wants
3. In selling Management is sales volume oriented. In marketing management is profit oriented.
4. In selling planning is short-run oriented interm of today's products and markets. In marketing planning is long run oriented in term of new products, tomorrow's market and future growth
5. In selling stresses needs of seller. In marketing stresses needs and wants of buyer
6. In selling views business as a good producing processes. In marketing views business as consumer satisfying processes
7. In selling emphasis on stayng with existing technology and reducing costs .In marketing emphasis on innovation on every sphere on providing better value to customer by adopting a superior technology .
8. In selling different department works as in a highly separate water tight compartments. In marketing all departments of the business operate integrated manner, the sole purpose being generation of consumer satisfaction.
9. In selling cost determine price. In marketing consumer determine price, in turn price determine cost.

10 In Selling views the customer as the last very purpose in business. In marketing views the customer as the link of the business.

5. EVOLUTION OF MARKETING MANAGEMENT PHILOSOPHY

1. **SIMPLE TRADE ERA: Prior** to the industrial evolution, people made most of what they consumed. Any excess house hold production could be brought to town and sold or traded for other goods. This type of economy is commonly referred to as a pure subsistence economy, there is little need for marketing (to facilitate exchanges), since each household produces what it consumes .however, with the advent of industrial revolution, business rather than household became the producers of many types of goods .when the producers of products are not also the consumers of those products, exchange must take place. Thus serious thinking about the exchange processes ---that is, marketing --- began in the wake of the industrial revolution.
2. **THE PRODUCTION ERA:** The production era is so named because many companies 'main priority was the reduction of the cost of production. Companies felt that exchanges could be facilitated merely by lowering manufacturing cost and, in turn ,passing along the cost saving to customers in the form of lower prices .
3. **THE SALES ERA:** The next era of marketing revolution is called era because many companies 'main priority was to move their product out of the factory using a variety of selling techniques .During sales era companies felt that they could enhance their sales by using a variety of promotional techniques designed to inform potential customers about and /or persuade them to buy their product .This type of thinling was initiated by the economic climate of the times.
4. **MARKETING DEPARTMENT ERA:** Many companies changed their thinking or purpose from that of manufacturing products to that of satisfying customers .Firms with a customer orientation attempt to create satisfying products that customers will want to buy .
5. **RELATIONSHIP MARKETING ERA:** Relationship marketing is the process whereby a firm builds long term satisfying relation with the customer in order to retain the customer loyalty in buying the firm products. This relationship –oriented strategy is most obvious in the company's advertising and in its pricing policy.

6. PROCESS OF MARKETING MANAGEMENT

The marketing management process goes through various stages to ensure the success of a product in an organization. A company is generally in the blind about any new product. In a tough business environment, with a customer who knows everything beforehand because of presence of online portals and websites, it is tough to plan and launch a new product or a marketing strategy. Just like movie stars waiting in anticipation for their movies to be released, companies wait in anticipation when a new product is launched. This new product can rock or it can fail in the market. The marketing management process ensures that whatever happens, the product is given its best chance to survive and thrive in the market.

Conduct market research – The very first step in the marketing management process starts with conducting a market research. As previously mentioned, if a product is a new launch, then the company is likely to be in the blind for the future propects of the product. They do not know what product the market needs, should they go for a new product or do a product extension, what will be the expected turnover increase from the new product, etc. Such questions are answered by market research. Thus, to even start thinking of launching a new product, market research is necessary.

Develop a marketing strategy – Before making a marketing strategy, you need to know the market. As market research has already been done, marketing strategy forms the second step in marketing management process. The marketing strategy takes several points in consideration. Simple things such as segmentation, targeting and positioning are a part of Marketing strategy. However, tough things like deciding the marketing mix as well as getting the positioning strategy right are also involved. Core competencies like financials and production are also to be analysed during the marketing strategy stage. Taking all these things in consideration, a marketing strategy is formed.

Make a marketing plan – After marketing strategy, a written marketing plan is made. This is the third and a very important step in marketing management process. A written marketing plan is made to analyse where the company is and where it wants to reach in a given time period. The marketing plan actually puts the plan on paper and the marketer can anytime refer to the marketing plan to analyse whether he is on track or not. The marketing plan itself has some pointers which are most important.

- Situation analysis – Business environment analysis, Internal analysis (SWOT analysis), USP's, core competencies.
- Strategic plan – A time related strategic plan outlining the pro's and con's of the strategy.
- Financials – Sales forecasts. Expenses forecast. Working capital etc.
- Implementation – Operations. Customer loyalty. Brand building. Consumer behavior. Product and pricing decisions.
- Follow up – After implementation, follow up is done to ensure marketing strategy is on track.

Feedback and control – Step 1, 4 and 5 are inter related. Once a product is in the market, customers might give further ideas for the improvement of the product. These ideas are usually considered by the marketing department and a market research is conducted to find the validity of the ideas. If the idea is valid, another product can be developed or another marketing strategy implemented. On the other hand, if the product is not received positively, then the control mechanism needs to fall in place and implement an alteration process for the product or in the worst case scenario – take the product out of the market before it affects the brand.

The four steps above complete the marketing management process. With the world becoming a small place due to advent of the internet, the marketing management process has become simpler. Feedback can be obtained online through simple questions, Marketing strategy can be changed by keeping an online brand watch and market research can be done through social networks. However, this does not change the grueling process which traditional marketing companies like FMCG, Electronics and Automobiles have to adopt.

7. MARKETING ENVIROMENT

The company aspect of micro-environment refers to the internal environment of the company. This includes all departments, such as management, finance, research and development, purchasing, operations and accounting. Each of these departments has an impact on marketing decisions. For example, research and development have input as to the features a product can perform and accounting approves the financial side of marketing plans and budget in customer dissatisfaction. Marketing managers must watch supply availability and other trends dealing with suppliers to ensure that product will be delivered to customers in the time frame required in order to maintain a strong customer relationship.

Marketing intermediaries refers to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. These are the people that help the company promote, sell, and distribute its products to final buyers. Resellers are those that hold and sell the company's product. They match the distribution to the customers and include places such as Wal-Mart, Target, and Best Buy. Physical distribution firms are places such as warehouses that store and transport the company's product from its origin to its destination. Marketing services agencies are companies that offer services such as conducting marketing research, advertising, and consulting. Financial intermediaries are institutions such as banks, credit companies and insurance companies.

Another aspect of micro-environment is the customer market. There are different types of customer markets including consumer markets, business markets, government markets, international markets, and reseller markets. The consumer market is made up of individuals who buy goods and services for their own personal use or use in their household. Business markets include those that buy goods and services for use in producing their own products to sell. This is different from the reseller market which includes businesses that purchase goods to resell as is for a profit. These are the same companies mentioned as market intermediaries. The government market consists of government agencies that buy goods to produce public services or transfer goods to others who need them. International markets include buyers in other countries and includes customers from the previous categories. Competitors are also a factor in the micro-environment and include companies with similar offerings for goods and services. To remain competitive a company must consider who their biggest competitors are while considering its own size and position in the industry. The company should develop a strategic advantage over their competitors.

The final aspect of the microenvironment is publics, which is any group that has an interest in or impact on the organization's ability to meet its goals. For example, financial publics can hinder a company's ability to obtain funds affecting the level of credit a company has. Media publics include newspapers and magazines that can publish articles of interest regarding the company and editorials that may influence customers' opinions. Government publics can affect the company by passing legislation and laws that put restrictions on the company's actions. Citizen-action publics include environmental groups and minority groups and can question the actions of a company and put them in the public spotlight. Local publics are neighborhood and community organizations and will also question a company's impact on the local area and the level of responsibility of their actions. The general public can affect the company as any change in their attitude, whether positive or negative, can cause sales to go up or down because the general public is often the company's customer base. And finally those who are employed within the company and deal with the organization and construction of the company's product.

The macro-environment refers to all forces that are part of the larger society and affect the micro-environment. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.

Factors affecting organization in Macro environment are known as PESTEL, that is: Political, Economical, Social, Technological, Environmental and Legal.

Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This is a very important factor to study for marketers and helps to divide the population intomarket segments and target markets. An example of demography is classifying groups of people according to the year they were born. These classifications can be referred to as baby boomers, who are born between 1946 and 1964, generation X, who are born between 1965 and 1976, and generation Y, who are born between 1977 and 1994. Each classification has different characteristics and causes they find important. This can be beneficial to a marketer as they can decide who their product would benefit most and tailor their marketing plan to attract that segment. Demography covers many aspects that are important to marketers including family dynamics, geographic shifts, work force changes, and levels of diversity in any given area.

Another aspect of the macro-environment is the economic environment. This refers to the purchasing power of potential customers and the ways in which people spend their money. Within this area are two different economies, subsistence and industrialized. Subsistence economies are based more in agriculture and consume their own industrial output. Industrial economies have markets that are diverse and carry many different types of goods. Each is important to the marketer because each has a highly different spending pattern as well as different distribution of wealth.

The natural environment is another important factor of the macro-environment. This includes the natural resources that a company uses as inputs that affects their marketing activities. The concern in this area is the increased pollution, shortages of raw materials and increased governmental intervention. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollution can go as far as negatively affecting a company's reputation if they are known for damaging the environment. The last concern, government intervention can make it increasingly harder for a company to fulfill their goals as requirements get more stringent.

The technological environment is perhaps one of the fastest changing factors in the macro-environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. As these markets develop it can create new markets and new uses for products. It also requires a company to stay ahead of others and update their own technology as it becomes outdated. They must stay informed of trends so they can be part of the next big thing, rather than becoming outdated and suffering the consequences financially.

The political environment includes all laws, government agencies, and groups that influence or limit other organizations and individuals within a society. It is important for marketers to be aware of these restrictions as they can be complex. Some products are regulated by both state and federal laws. There are even restrictions for some products as to who the target market may be, for example, cigarettes should not be marketed to younger children. There are also many restrictions on subliminal messages and monopolies. As laws and regulations change often, this is a very important aspect for a marketer to monitor.

The final aspect of the macro-environment is the cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. As a marketer, it is important to know the difference between the two and to focus your marketing campaign to reflect the values of a target audience.

When dealing with the marketing environment it is important for a company to become proactive. By doing so, they can create the kind of environment that they will prosper in and can become more efficient by marketing in areas with the greatest customer potential. It is important to place equal emphasis on both the macro and micro environment and to react accordingly to changes within them.[2]

Marketing intermediary [

Marketing intermediaries help to sell, promote, and distribute goods. Intermediaries take many forms:

- Resellers
- Physical distribution firms
- Marketing services agencies
- Financial intermediaries

Customer markets must be studied:

- Market types
- Consumer
- Business
- Government
- Reseller
- International

Various publics must also be considered:

- Government
- Media
- Financial
- Local
- General
- Internal
- Citizen Action Groups
- location

8. GOVERNMENT REGULATION THAT ESSECT THE MARKETING DECISIONS IN INDIA

Any business laws in India precede the country's independence in 1947. For example, the Indian Contract Act of 1872 is still in force, although specific contracts such as partnerships and the sale of goods are now covered by newer laws. The Partnership Act of 1932 covers partnership firms in India. Business laws regulating chartered accountants and cost accountants were passed in 1949 and 1959, respectively. The Banking Regulation Act of 1949 continues to regulate private banking companies and manage banks in India. In 2012, it was amended by the Banking Law (Amendments) Act.

Under these amendments, the Reserve Bank of India (RBI) was given power to restrict voting rights and shares acquisition in a bank. The RBI established the Depositor Education and Awareness Fund. Banks are now able to issue both equity and preference shares under RBI guidelines.

While India is often criticized for complex regulations, it is important to keep in mind that that in some cases, these laws are simpler than those of the U.S. Furthermore, most regulations are consistent across the country, and attorneys in India can practice in any state. Filing lawsuits is seldom productive in most commercial disputes since court cases can drag on for decades and collection can take even longer. For large deals, binding third-country arbitration can be the best way to resolve disputes.

Following India's economic development in the 21st century, the Ministry of Corporate Affairs passed the Competition Act of 2002 and the Limited Liability Act in 2008. These promote sustainable competition in markets, prohibit anti-competitive business practices, and protect consumer interests while ensuring free trade.

The Parliament of India passes and amends regulations for both businesses and investors. In addition to provisions from the Companies Act of 1956, theCompanies Act of 2013 features provisions regarding mergers and acquisitions, board room decision-making, related party transactions, corporate social responsibility, and shareholding. The act was further amended through the Companies Act of 2015 which eliminated the procedural common seal, declarations for commencement of businesses, and minimum paid-up capital requirements. The amendment also relaxed governing-related party transactions while limiting access to strategic corporate resolutions in India.

As a member of the International Labor Organization, India offers protections for employees. These include the Payment of Wages Act of 1936, the Industrial Employment Act of 1946, the Industrial Disputes Act of 1947, the Payment of Bonus Act of 1965, and the 1972 Payment of Gratuity Act. Protections include annual bonuses of 8.33% and separation fees of about 15 days per year of employment. Other labor laws such as the Building and Other Construction Workers Acts of 1996 and the Workmen's Compensation Act of 1923 (amended in 2000) are in effect. Passed in 1926, the Trade Unions Act deals with the registration, rights, liabilities, and responsibilities of trade unions. The Industrial Disputes Act of 1946 regulates trade unions and matters between industrial employers and employees.

Business laws in India include consumer protection. The Consumer Protection Act, 1986 mandates Consumer Dispute Redressal Forums at local and national levels. Older laws, such as the Standards of Weights & Measures Act of 1956, ensure fair competition in the market and free flow of correct information from providers of goods and services to consumers.

Due to the growth of trade, the Indian government passed the Foreign Trade (Development and Regulation) Act of 1992 to facilitate imports and augment exports. The latest EXIM Policy, known as the Foreign Trade Policy, was issued for April 2015 to March 2020. The Service Exports from India Scheme (SEIS) replaced the Served from India Scheme. The SEIS extends the duty-exempted scrip to Indian service providers and provides notified services in a specified mode outside the country. Under the Export Promotion Capital Goods Scheme, the export obligation requires six times the duty saved on imported capital goods; in the case of local sourcing of capital goods, the export obligation is reduced by 25%. Beyond goods and services, the Foreign Exchange Management Act of 1999 regulates foreign exchange transactions including investments abroad.

As a founding member of the World Trade Organization in 1995, India has updated business laws regarding copyrights, patents, and trademarks to meet the Agreement on Trade Related Aspects of Intellectual Property Rights. Indian companies and the federal government honor global IP rights. However, because music copyrights are different in India, both Indian and Western IP owners in the entertainment industry have suffered due to digital piracy. Even so, there are few IP-related disputes outside of several celebrated pharmaceutical industry cases. In 2013, India's Supreme Court denied Novartis an extension to update its cancer drug Glivec due to "evergreening" charges.

E-commerce and online expansion of companies prompted India to create regulations to cover cyber law and security compliances, such as the techno legal regulatory provisions in the Companies Act of 2013. The Information Technology Act of 2000 is the primary law for e-commerce regulation in India. In 2008, the IT Act was amended to provide explicit legal recognition of electronic transactions.

Indian Contract, 1872

A contract is an agreement enforceable at law between two or more persons by whch rights are by one or more to act or forbearance on the part of the part of the other .The act also specifies provisions for the creation of an agency and the rights and duties of a principal and an agent.

Sale of Goods Act 1930 is a Mercantile Law. The Sale of Goods Act is a kind of Indian Contract Act. It came into existence on 1 July 1930. It is a contract whereby the seller transfers or agrees to transfer the property in the goods to the buyer for price. It is applicable all over India, except Jammu and Kashmir.

Patent Act 1970

The history of Patent law in India starts from 1911 when the Indian Patents and Designs Act, 1911 was enacted. The present Patents Act, 1970 came into force in the year 1972, amending and consolidating the existing law relating to Patents in India. The Patents Act, 1970 was again amended by the Patents (Amendment) Act, 2005, wherein product patent was extended to all fields of technology including food, drugs, chemicals and micro organisms. After the amendment, the provisions relating to Exclusive Marketing Rights (EMRs) have been repealed, and a provision for enabling grant of compulsory license has been introduced. The provisions relating to pre-grant and post-grant opposition have been also introduced. An invention relating to a product or a process that is new, involving inventive step and capable of industrial application can be patented in India. However, it must not fall into the category of inventions that are non-patentable as provided under Section 3 and 4 of the (Indian) Patents Act, 1970. In India, a patent application can be filed, either alone or jointly, by true and first inventor or his assignee.

THETRADE Marks Act,(1999)

It deals with the trade and merchandise marks registerd under this act. A mark includes a device, brand, heading, label, ticket, name, signature, word, letter, numerical, shape of goods, packagings or combination of colours or any combination thereof.

The Monopolies and Restrictive Trade Practices Act (1969) MRTPACT

This act provide for the control of monopolies for the probation of monopolistic ,restrictive and unfair trade practices and for matters connected therewith or incidental thereto.

Marketing Implication of Some Regulation in India

If the consumer protection act becomes effectively enforceable ,it would be really difficuilt for marketers to ignore the interests of consumers in taking decisions about different component of the marketing mix .The industries (Development and regualation)ACT also is one of the major economic laws of the country which has been designed to regulate .Certain legislation which effect marketing decisions like the Indian contract Act 1972,the Sale of good act 1930 , the companies act 1956 ,the trade act 1999and the Bureau of indian Standard act 1986 ,apply to every undertaking ,irrespective of the nature of product sold or service renderd.

According To CUNDILL, Still and GOVONI

Marketing information system (MIS) is an organised set of procedures, information handling routines and reporting techniques designed to provide the information required for making marketing decisions.

Features of Marketing Information System

1. Data are regularly are collected. They are continuously update as environment conditions change.
2. The data are converted into useful information .ie it is an operating process which convert inputs of raw data into meaningful and purposeful information.
3. It is future oriented
4. It is collected collected come inside the firm (in the form of figures on sales, costs and inventory) and outside it (figures on competitor's sales.

Components of Marketing Information System

A marketing information system consists of people, equipment, and procedures to gather, sor analyze, evaluate, and distribute needed, time and accurate information to marketing decions –makers.

Marketing information system (MIS) is intended to bring together disparate items of data into a coherent body of information. An MIS is, as will shortly be seen, more than raw data or information suitable for the purposes of decision making. An MIS also provides methods for interpreting the information the MIS provides. Moreover, as Kotler's[1] definition says, an MIS is more than a system of data collection or a set of information technologies:

"A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyse, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

Figure 9.1 illustrates the major components of an MIS, the environmental factors monitored by the system and the types of marketing decision which the MIS seeks to underpin.

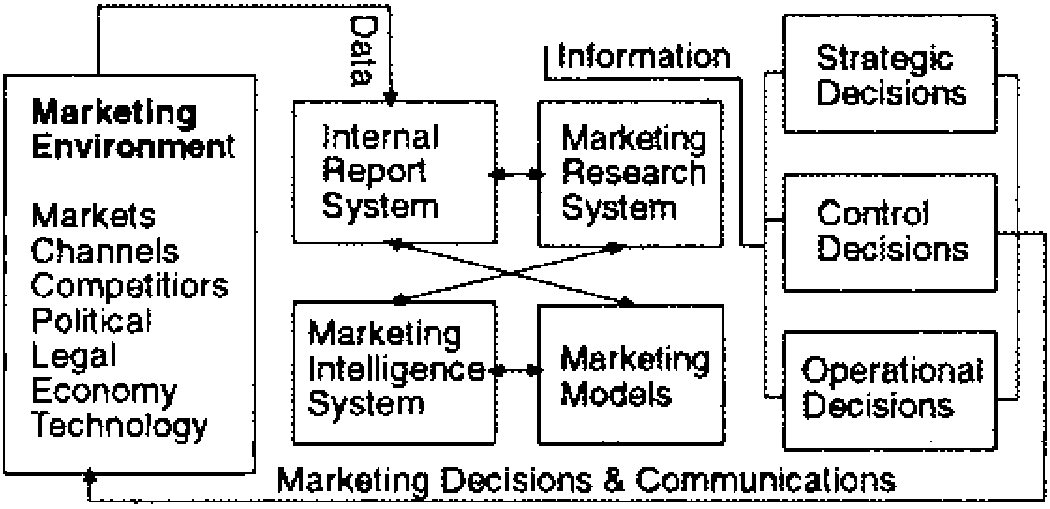


Figure 9.1 The marketing information systems and its subsystems

The explanation of this model of an MIS begins with a description of each of its four main constituent parts: the internal reporting systems, marketing research system, marketing intelligence system and marketing models. It is suggested that whilst the MIS varies in its degree of sophistication - with many in the industrialised countries being computerised and few in the developing countries being so - a fully-fledged MIS should have these components, the methods (and technologies) of collection, storing, retrieving and processing data notwithstanding.

Internal reporting systems: All enterprises which have been in operation for any period of time nave a wealth of information. However, this information often remains under-utilised because it is compartmentalised, either in the form of an individual entrepreneur or in the functional departments of larger businesses. That is, information is usually categorised according to its nature so that there are, for example, financial, production, manpower, marketing, stockholding and logistical data. Often the entrepreneur, or various personnel working in the functional departments holding these pieces of data, do not see how it could help decision makers in other functional areas. Similarly, decision makers can fail to appreciate how information from other functional areas might help them and therefore do not request it.

The internal records that are of immediate value to marketing decisions are: orders received, stockholdings and sales invoices. These are but a few of the internal records that can be used by marketing managers, but even this small set of records is capable of generating a great deal of information. Below, is a list of some of the information that can be derived from sales invoices.

· Product type, size and pack type by territory

· Product type, size and pack type by type of account

· Product type, size and pack type by industry

· Product type, size and pack type by customer

· Average value and/or volume of sale by territory

· Average value and/or volume of sale by type of account

· Average value and/or volume of sale by industry

· Average value and/or volume of sale by sales person

By comparing orders received with invoices an enterprise can establish the extent to which it is providing an acceptable level of customer service. In the same way, comparing stockholding records with orders received helps an enterprise ascertain whether its stocks are in line with current demand patterns.

Marketing research systems: The general topic of marketing research has been the prime ' subject of the textbook and only a little more needs to be added here. Marketing research is a proactive search for information. That is, the enterprise which commissions these studies does so to solve a perceived marketing problem. In many cases, data is collected in a purposeful way to address a well-defined problem (or a problem which can be defined and solved within the course of the study). The other form of marketing research centres not around a specific marketing problem but is an attempt to continuously monitor the marketing environment. These monitoring or tracking exercises are continuous marketing research studies, often involving panels of farmers, consumers or distributors from which the same data is collected at regular intervals. Whilst the *ad hoc* study and continuous marketing research differs in the orientation, yet they are both proactive.

Marketing intelligence systems: Whereas marketing research is focused, market intelligence is not. A marketing intelligence system is a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making. This scanning of the economic and business environment can be undertaken in a variety of ways, including[2]

Unfocused scanning	The manager, by virtue of what he/she reads, hears and watches exposes him/herself to information that may prove useful. Whilst the behaviour is unfocused and the manager has no specific purpose in mind, it is not unintentional
Semi-focused scanning	Again, the manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For instance, the manager may focus more on economic and business publications, broadcasts etc. and pay less attention to political, scientific or technological media.
Informal search	This describes the situation where a fairly limited and unstructured attempt is made to obtain information for a specific purpose. For example, the marketing manager of a firm considering entering the business of importing frozen fish from a neighbouring country may make informal inquiries as to prices and demand levels of frozen and fresh fish. There would be little structure to this search with the manager making inquiries with traders he/she happens to encounter as well as with other *ad hoc* contacts in ministries, international aid agencies, with trade associations, importers/exporters etc.
Formal search	This is a purposeful search after information in some systematic way. The information will be required to address a specific issue. Whilst this sort of activity may seem to share the characteristics of marketing research it is carried out by the manager him/herself rather than a professional researcher. Moreover, the scope of the search is likely to be narrow in scope and far less intensive than marketing research

Marketing intelligence is the province of entrepreneurs and senior managers within an agribusiness. It involves them in scanning newspaper trade magazines, business journals and reports, economic forecasts and other media. In addition it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Some enterprises will approach marketing intelligence gathering in a more deliberate fashion and will train its sales force, after-sales personnel and district/area managers to take cognisance of competitors' actions, customer complaints and requests and distributor problems. Enterprises with vision will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

Marketing models: Within the MIS there has to be the means of interpreting information in order to give direction to decision. These models may be computerised or may not. Typical tools are:

· Time series sales modes

· Brand switching models

· Linear programming

· Elasticity models (price, incomes, demand, supply, etc.)

· Regression and correlation models

· Analysis of Variance (ANOVA) models

· Sensitivity analysis

· Discounted cash flow

· Spreadsheet 'what if models

These and similar mathematical, statistical, econometric and financial models are the analytical subsystem of the MIS. A relatively modest investment in a desktop computer is enough to allow an enterprise to automate the analysis of its data. Some of the models used are stochastic, i.e. those containing a probabilistic element whereas others are deterministic models where chance plays no part. Brand switching models are stochastic since these express brand choices in probabilities whereas linear programming is deterministic in that the relationships between variables are expressed in exact mathematical terms.

9. MARKETING RESEARCH

The process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face.

Accurate and thorough information is the foundation of all successful business ventures because it provides a wealth of information about prospective and existing customers, the competition, and the industry in general. It allows business owners to determine the feasibility of a business before committing substantial resources to the venture.

Market research provides relevant data to help solve marketing challenges that a business will most likely face--an integral part of the business planning process. In fact, strategies such as market segmentation (identifying specific groups within a market) and product differentiation (creating an identity for a product or service that separates it from those of the competitors) are impossible to develop without market research.

Market research involves two types of data:

- **Primary information.** This is research you compile yourself or hire someone to gather for you.
- **Secondary information.** This type of research is already compiled and organized for you. Examples of secondary information include reports and studies by government agencies, trade associations or other businesses within your industry. Most of the research you gather will most likely be secondary.

When conducting primary research, you can gather two basic types of information: exploratory or specific. Exploratory research is open-ended, helps you define a specific problem, and usually involves detailed, unstructured interviews in which lengthy answers are solicited from a small group of respondents. Specific research, on the other hand, is precise in scope and is used to solve a problem that exploratory research has identified. Interviews are structured and formal in approach. Of the two, specific research is the more expensive.

When conducting primary research using your own resources, first decide how you'll question your targeted group: by direct mail, telephone, or personal interviews.

If you choose a direct-mail questionnaire, the following guidelines will increase your response rate:

- Questions that are short and to the point
- A questionnaire that is addressed to specific individuals and is of interest to the respondent
- A questionnaire of no more than two pages
- A professionally-prepared cover letter that adequately explains why you're doing this questionnaire
- A postage-paid, self-addressed envelope to return the questionnaire in. Postage-paid envelopes are available from the post office
- An incentive, such as "10 percent off your next purchase," to complete the questionnaire

Even following these guidelines, mail response is typically low. A return rate of 3 percent is typical; 5 percent is considered very good. Phone surveys are generally the most cost-effective. Here are some telephone survey guidelines:

- Have a script and memorize it--don't read it.
- Confirm the name of the respondent at the beginning of the conversation.

- Avoid pauses because respondent interest can quickly drop.
- Ask if a follow-up call is possible in case you require additional information.

In addition to being cost-effective, speed is another advantage of telephone interviews. A rate of five or six interviews per hour is typical, but experienced interviewers may be able to conduct more. Phone interviews also can cover a wide geographic range relatively inexpensively. Phone costs can be reduced by taking advantage of less expensive rates during certain hours.

One of the most effective forms of marketing research is the personal interview. They can be either of these types:

- **A group survey.** Used mostly by big business, group interviews or focus groups are useful brainstorming tools for getting information on product ideas, buying preferences, and purchasing decisions among certain populations.
- **The in-depth interview.** These one-on-one interviews are either focused or nondirective. Focused interviews are based on questions selected ahead of time, while nondirective interviews encourage respondents to address certain topics with minimal questioning.

Secondary research uses outside information assembled by government agencies, industry and trade associations, labor unions, media sources, chambers of commerce, and so on. It's usually published in pamphlets, newsletters, trade publications, magazines, and newspapers. Secondary sources include the following:

- **Public sources.** These are usually free, often offer a lot of good information, and include government departments, business departments of public libraries, and so on.
- **Commercial sources.** These are valuable, but usually involve cost factors such as subscription and association fees. Commercial sources include research and trade associations, such as Dun & Bradstreet and Robert Morris & Associates, banks and other financial institutions, and publicly traded corporations.
- **Educational institutions.** These are frequently overlooked as valuable information sources even though more research is conducted in colleges, universities, and technical institutes than virtually any sector of the business community.

Public Information Sources

Government statistics are among the most plentiful and wide-ranging public sources. Helpful government publications include the following.

The State and Metropolitan Area Data Book provides a wide variety of statistical information on states and metropolitan areas in the United States. Published by the U.S. Census Bureau, it's available online for $31 through the U.S. Government Printing Office and at larger libraries.

The Statistical Abstract of the United States provides tables and graphs of statistics on the social, political and economic conditions in the United States. Published by the Census Bureau, it's available online for $48 through the U.S. Government Printing Office and at larger libraries.

U.S. Industry and Trade Outlook presents recent financial performances of U.S. manufacturers and identifies emerging trends. Published by the Commerce Department in cooperation with McGraw-Hill, it's available online for $76 through the U.S. Government Printing Office and at larger libraries.

The U.S. government online bookstore at the U.S. Government Printing Office has an abundance wealth of publications on topics ranging from agriculture, aviation, and electronics, to insurance, telecommunications, forest management, and workers' compensation.

The U.S. Census Bureau website also contains valuable information relevant to marketing. The Bureau's business publications cover many topics and trades--such as sales volume at furniture stores and payrolls for toy wholesalers--and are useful for small businesses as well as large corporations in retail, wholesale trade, and service industries. Also available are census maps, reports on company statistics regarding different ethnic groups, and reports on county business patterns.

One of the most important information resources you'll find is the **SBA**. The SBA was created by Congress in 1953 to help American entrepreneurs start, run, and grow successful small enterprises. Today there are SBA offices in every state, the District of Columbia, the U.S. Virgin Islands, Puerto Rico, and Guam. Among the services offered by the SBA are financial assistance, counseling services through Small Business Development Centers (SBDCs), management assistance through programs like SCORE, and low-cost publications. The counselors at SCORE can provide you with free consultation on what type of research you need to gather and where you can obtain that information. They may also be able to suggest other means of gathering the information from primary sources. SBDCs generally have extensive business libraries with lots of secondary sources for you to review.

One of the best public sources is **the business section of your public, or local college or university, library**. The services provided vary from library to library but usually include a wide range of government publications with market statistics, a large collection of directories with information on domestic and foreign businesses, and a wide selection of magazines, newspapers and newsletters.

Almost every county government publishes population density and distribution figures in accessible census tracts. These show the number of people living in specific areas, such as precincts, water districts or even ten-block neighborhoods. Some counties publish reports that show the population ten years ago, five years ago, and currently, thus indicating population trends.

Other public information resources include local chambers of commerce and their business development departments, which encourage new businesses to locate in their communities. They will supply you (usually for free) information on population trends, community income characteristics, payrolls, industrial development and so on.

Don't overlook your bank as a resource. Bankers have a wealth of information at their fingertips and are eager to help their small business customers get ahead. All you have to do is ask.

Commercial Information Sources:

Among the best commercial sources of information are research and trade associations. Information gathered by trade associations is usually limited to that particular industry and available only to association members, who have typically paid a membership fee. However, the research gathered by the larger associations is usually thorough, accurate, and worth the cost of membership. Two excellent resources to help you locate a trade association that reports on the business you are researching include the *Encyclopedia of Associations* (Gale Research), and the *Encyclopedia of Business Information Sources* (Gale Group).

Local newspapers, journals, magazines, and radio and TV stations are some of the most useful commercial information outlets. Not only do they maintain demographic profiles of their audiences (their income, age, gender, amount of disposable income, and types of products and services purchased, what they read, and so on), but many also have information about economic trends in their local areas that could be significant to your business. Contact the sales departments of these businesses and ask them to send you their media kit, since you're working on a marketing plan for a new product and need information about advertising rates and audience demographics. Not only will you learn more about your prospective customers, you'll also learn more about possible advertising outlets for your product or service.

Dun & Bradstreet is another commercial source of market research that offers an abundance of information for making marketing decisions. It operates the world's largest business database and tracks more than 62 million companies around the world, including 11 million in the United States. For more information, visit the Dun & Bradstreet Small Business Solutions website.

Finally, there are educational institutions that conduct research in various ways, ranging from faculty-based projects often published under professors' bylines, to student projects, theses, and assignments. You may be able to enlist the aid of students involved in business classes, especially if they're enrolled in an entrepreneurship program. This can be an excellent way of generating research at little or no cost, by engaging students who welcome the professional experience either as interns or for special credit. Contact the university administration and marketing or management studies departments for further information.

Important Marketing Research:

Successful businesses worldwide periodically conduct market research in order to stay tuned to changing market trends and to retain their competitive edge. Whether your business is in a start-up stage or in an expansion phase, market research is vital for understanding the critical characteristics of your target market to increase sales revenue, profit, ROI and overall business success.

The importance of market research can be best perceived by understanding the various factors that impact your business.

Market Information:

This includes factors such as market size (in terms of number of customers), sales revenues (for existing products), market segmentation (geographic, gender, personality, etc.), the demand and supply scenario, and other factors.

Insight into Existing Customers:

This requires understanding important customer decision-making triggers such as:

- Why do customers select your products or those of your competitors?
- What value do they perceive in your products?
- What is the key decision factor? Is it service, product quality or prestige?
- What factors influence buying decisions?
- Which magazines and websites do they browse?

Identifying Potential Customers:

New customers can be identified by understanding:

- Who are likely to use your products?
- What is their age group?
- What is their gender?
- What is their marital status (single, married or divorced)?
- How many children do they have?
- Where do they reside?

Customer Needs:

Evaluate and understand the precise needs of potential customers and develop your products and services accordingly. Even existing products and services can be suitably modified based on the results of such market research.

Customer Behavior Patterns:

Potential customers may exhibit behavior patterns and preferences, such as a preference for only one brand or switching brands frequently; trying out new products; a preference for products of a particular type, size, color, price range, or other such parameters.

Competitor Analysis:

Research can provide you with valuable information about existing competitors, their adopted strategies, impact on target consumers (and their reactions), and other such details.

Identify Business Opportunities:

Market research helps identify existing gaps and new business opportunities such as untapped or underserviced markets, as well as changing market trends such as population shifts, higher education levels, increased leisure spends and more.

Resolving Business Problems:

A market research company can identify the cause of your business problems, if any, and suggest possible remedies. For example, decreased sales could result from the entry of a new competitor, a substitute product, reduced brand awareness or negative brand image.

Accurate Business Decisions:

The information collected through research can enable you to set realistic expectations and make appropriate estimations about sales forecasting, market share, growth rate and other such critical factors.

Develop Business Strategies:

Research data can help you in developing strategies for product or service pricing, distribution and logistics, advertising media usage (radio, TV, newspapers etc.), making decisions for new products and services, and timing the market. It can guide you towards better decisions on starting, consolidating, diversifying or reducing business activity.

The significance of market research is seen in the following benefits accrued by businesses:

- Improved communications between the company and its target customers through accurate understanding of customer needs and meeting them effectively, leading to enhanced customer satisfaction
- Minimized risk through precise analysis of the customer's exact demands and developing perfectly matching products and services, thus reducing errors and failures
- Measuring business success through analysis of the research data and evaluation of business progress and growth. Even possible pitfalls and solutions can be gauged

Flatworld Solutions is a leading market research company with expertise and experience in market research. We have a successful track record of providing cutting-edge reports to our clients and enabling them to make informed decisions and achieving rapid growth. Our team of qualified and experienced professionals has consistently met our customers' expectations.

10. PROCESS OF MARKETING RESEARCH

Stage 1: Formulating the Marketing Research Problem

Formulating a problem is the first step in the research process. In many ways, research starts with a problem that management is facing. This problem needs to be understood, the cause diagnosed, and solutions developed.

However, most management problems are not always easy to research. A management problem must first be translated into a research problem. Once you approach the problem from a research angle, you can find a solution. For example, “sales are not growing” is a management problem.

Translated into a research problem, we may examine the expectations and experiences of several groups: potential customers, first-time buyers, and repeat purchasers. We will determine if the lack of sales is due to:

- Poor expectations that lead to a general lack of desire to buy, or
- Poor performance experience and a lack of desire to repurchase.

What then is the difference between a management problem and a research problem? Management problems focus on an action. Do we advertise more? Do we change our advertising message? Do we change an under-performing product configuration?

If so, how?

Research problems, on the other hand, focus on providing the information you need in order to solve the management problem.

Click here to learn specifically how to formulate the research problem.

Stage 2: Method of Inquiry

The scientific method is the standard pattern for investigation. It provides an opportunity for you to use existing knowledge as a starting point and proceed impartially.

The scientific method includes the following steps:

1. Formulate a problem
2. Develop a hypothesis
3. Make predictions based on the hypothesis

4. Devise a test of the hypothesis
5. Conduct the test
6. Analyze the results

The terminology is similar to the stages in the research process. However, there are subtle differences in the way the steps are performed. For example, the scientific method is objective while the research process can be subjective.

Objective-based research (quantitative research) relies on impartial analysis.

The facts are the priority in objective research. On the other hand, subjective-based research (qualitative research) emphasizes personal judgment as you collect and analyze data.

Stage 3: Research Method

In addition to selecting a method of inquiry (objective or subjective), you must select a research method.

There are two primary methodologies that can be used to answer any research question: experimental research and non-experimental research.

Experimental research gives you the advantage of controlling extraneous variables and manipulating one or more variables that influences the process being implemented. Non-experimental research allows observation but not intervention.

You simply observe and report on your findings.

Stage 4: Research Design

The research design is a plan or framework for conducting the study and collecting data. It is defined as the specific methods and procedures you use to acquire the information you need.

Stage 5: Data Collection Techniques

Your research design will develop as you select techniques to use. There are many ways to collect data. Two important methods to consider are interviews and observation.

Interviews require you to ask questions and receive responses.

Common modes of research communication include interviews conducted face-to-face, by mail, by telephone, by email, or over the Internet. This broad category of research techniques is known as survey research.

These techniques are used in both non-experimental research and experimental research.

Another way to collect data is by observation. Observing a person's or company's past or present behavior can predict future purchasing decisions. Data collection techniques for past behavior can include analyzing company records and reviewing studies published by external sources.

In order to analyze information from interview or observation techniques, you must record your results. Because the recorded results are vital, measurement and development are closely linked to which data collection techniques you decide on.

The way you record the data changes depends on which method you use.

Stage 6: Sample Design

Your **marketing research** project will rarely examine an entire population. It's more practical to use a sample—a smaller but accurate representation of the greater population. In order to design your sample, you must find answers to these questions:

1. From which base population is the sample to be selected?
2. What is the method (process) for sample selection?
3. What is the size of the sample?

Once you've established who the relevant population is (completed in the problem formulation stage), you have a base for your sample. This will allow you to make inferences about a larger population. There are two methods of selecting a sample from a population: probability or non-probability sampling.

The probability method relies on a random sampling of everyone within the larger population.

Non- probability is based in part on the judgment of the investigator, and often employs convenience samples, or by other sampling methods that do not rely on probability.

The final stage of the sample design involves determining the appropriate sample size. This important step involves cost and accuracy decisions. Larger samples generally reduce sampling error and increase accuracy, but also increase costs.

Stage 7: Data Collection

Once you've established the first six stages, you can move on to data collection.

Depending on the mode of data collection, this part of the process can require large amounts of personnel and a significant portion of your budget. Personal (face-to-face) and telephone interviews may require you to use a data collection agency (field service).

Internet surveys require fewer personnel, are lower cost, and can be completed in days rather than weeks or months.

Regardless of the mode of data collection, the data collection process introduces another essential element to your research project: the importance of clear and constant communication.

Stage 8: Analysis and Interpretation

In order for data to be useful, you must analyze it.

Analysis techniques vary and their effectiveness depends on the types of information you are collecting, and the type of measurements you are using. Because they are dependent on the data collection, analysis techniques should be decided before this step.

Stage 9: The Marketing Research Report

The **marketing research process** culminates with the research report.

This report will include all of your information, including an accurate description of your research process, the results, conclusions, and recommended courses of action. The report should provide all the information the decision maker needs to understand the project.

It should also be written in language that is easy to understand. It's important to find a balance between completeness and conciseness. You don't want to leave any information out; however, you can't let the information get so technical that it overwhelms the reading audience.

One approach to resolving this conflict is to prepare two reports: the technical report and the summary report. The technical report discusses the methods and the underlying assumptions. In this document, you discuss the detailed findings of the research project.

The summary report, as its name implies, summarizes the research process and presents the findings and conclusions as simply as possible.

Another way to keep your findings clear is to prepare several different representations of your findings. PowerPoint presentations, graphs, and face-to-face reports are all common methods for presenting your information.

Along with the written report for reference, these alternative presentations will allow the decision maker to understand all aspects of the project.

Resource Planning for Your Study

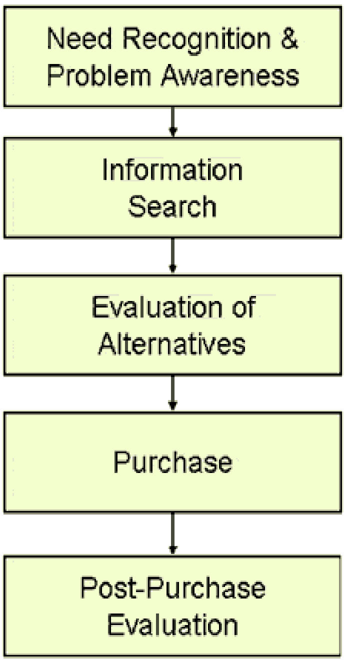
As you are developing your study, you have to account for the expenditure of your resources: personnel, time, and money. Resource plans need to be worked out with the decision maker and will range from very formal budgeting and approval processes to a very informal "Go ahead and do it".

Before you can start the research project, you should get yourself organized and prepare a budget and time schedule for the major activities in the study. Microsoft Project and similar programs are good resources for breaking down your tasks and resources.

Have fun with your next research project! These 9 stages should help you out immensely.

11. BUYER BEHAVIOUR

How do customers buy? Research suggests that customers go through a five-stage decision-making process in any purchase. This is summarised in the diagram below:



This model is important for anyone making marketing decisions. It forces the marketer to consider the whole buying process rather than just the purchase decision (when it may be too late for a business to influence the choice!)

The model implies that customers pass through all stages in every purchase. However, in more routine purchases, customers often skip or reverse some of the stages.

For example, a student buying a favourite hamburger would recognise the need (hunger) and go right to the purchase decision, skipping information search and evaluation. However, the model is very useful when it comes to understanding any purchase that requires some thought and deliberation.

The buying process starts with need recognition. At this stage, the buyer recognises a problem or need (e.g. I am hungry, we need a new sofa, I have a headache) or responds to a marketing stimulus (e.g. you pass Starbucks and are attracted by the aroma of coffee and chocolate muffins).

An "aroused" customer then needs to decide how much information (if any) is required. If the need is strong and there is a product or service that meets the need close to hand, then a purchase decision is likely to be made there and then. If not, then the process of information search begins.

A customer can obtain information from several sources:

Personal sources: family, friends, neighbours etc

Commercial sources: advertising; salespeople; retailers; dealers; packaging; point-of-sale displays

Public sources: newspapers, radio, television, consumer organisations; specialist magazines

Experiential sources: handling, examining, using the product

The usefulness and influence of these sources of information will vary by product and by customer. Research suggests that customers value and respect personal sources more than commercial sources (the influence of "word of mouth"). The challenge for the marketing team is to identify which information sources are most influential in their target markets.

In the evaluation stage, the customer must choose between the alternative brands, products and services.

How does the customer use the information obtained?

An important determinant of the extent of evaluation is whether the customer feels "involved" in the product. By involvement, we mean the degree of perceived relevance and personal importance that accompanies the choice.

Where a purchase is "highly involving", the customer is likely to carry out extensive evaluation.

High-involvement purchases include those involving high expenditure or personal risk – for example buying a house, a car or making investments.

Low involvement purchases (e.g. buying a soft drink, choosing some breakfast cereals in the supermarket) have very simple evaluation processes.

Why should a marketer need to understand the customer evaluation process?

The answer lies in the kind of information that the marketing team needs to provide customers in different buying situations.

In high-involvement decisions, the marketer needs to provide a good deal of information about the positive consequences of buying. The sales force may need to stress the important attributes of the product, the advantages compared with the competition; and maybe even encourage "trial" or "sampling" of the product in the hope of securing the sale.

Post-purchase evaluation - Cognitive Dissonance

The final stage is the post-purchase evaluation of the decision. It is common for customers to experience concerns after making a purchase decision. This arises from a concept that is known as "cognitive dissonance". The customer, having bought a product, may feel that an alternative would have been preferable. In these circumstances that customer will not repurchase immediately, but is likely to switch brands next time.

To manage the post-purchase stage, it is the job of the marketing team to persuade the potential customer that the product will satisfy his or her needs. Then after having made a purchase, the customer should be encouraged that he or she has made the right decision.

12. MARKETS AND MARKET SEGMENTATION

Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.

Market Segmentation

- Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.
- A market segment is a small unit within a large market comprising of like minded individuals.
- One market segment is totally distinct from the other segment.
- A market segment comprises of individuals who think on the same lines and have similar interests.
- The individuals from the same segment respond in a similar way to the fluctuations in the market.

Basis of Market Segmentation

- **Gender**

The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

Organizations need to have different marketing strategies for men which would obviously not work in case of females.

A woman would not purchase a product meant for males and vice a versa.

The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

- **Age Group**

Division on the basis of age group of the target audience is also one of the ways of market segmentation.

The products and marketing strategies for teenagers would obviously be different than kids.

Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams

Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags

Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

- **Income**

Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

High income Group

Mid Income Group

Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

- **Marital Status**

Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

- **Occupation**

Office goers would have different needs as compared to school / college students.

A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.

Types of Market Segmentation

- Psychographic segmentation

The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.

- **Behaviouralistic Segmentation**

The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.

- **Geographic Segmentation**

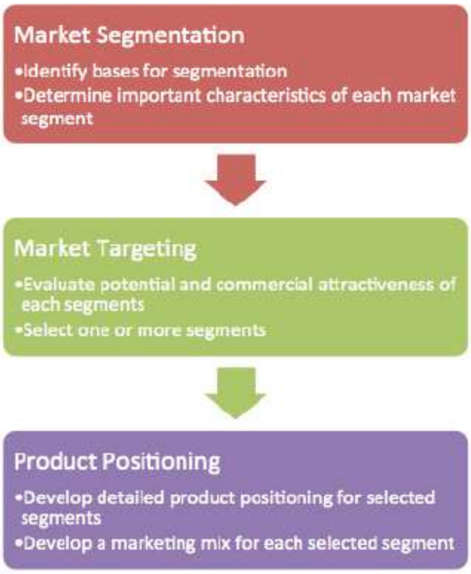
Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.

Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.

McDonald's in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald's in US freely sells and promotes beef products.

Market Targeting and Positioning:

Audience options > Audience selection > Production positioning



Today, Segmentation, Targeting and Positioning (STP) is a familiar strategic approach in Modern Marketing. It is one of the most commonly applied marketing models in practice. In our poll asking about the most popular marketing model it is the second most popular, only beaten by the venerable SWOT / TOWs matrix. This popularity is relatively recent since previously, marketing approaches were based more around products rather than customers. In the 1950s, for example, the main marketing strategy was 'product differentiation'.

The STP model is useful when creating marketing communications plans since it helps marketers to prioritise propositions and then develop and deliver personalised and relevant messages to engage with different audiences. This is an audience rather than product focused approach to communications which helps deliver more relevant messages to commercially appealingaudiences. The diagram below shows how plans can have the flow from

STP is relevant to digital marketing too, where applying marketing personas can help develop more relevant digital communications as shown by these alternative tactical customer segmentation approaches.

In addition, STP focuses on commercial effectiveness, selecting the most valuable segments for a business and then developing a marketing mix and product positioning strategy for each segment.

How to use STP?

Through segmentation,you can identify niches with specific needs, mature markets to find new customers, deliver more focused and effective marketing messages.

The needs of each segment are the same, so marketing messages should be designed for each segment to emphasise relevant benefits and features required rather than one size fits all for all customer types. This approach is more efficient, delivering the right mix to the same group of people, rather than a scattergun approach.

You can segment your existing markets based on nearly any variable, as long as it’s effective as the examples below show:

Well known ways to segment your audience include:

1. Demographics

Breakdown by any combination: age, gender, income, education, ethnicity, marital status, education, household (or business), size, length of residence, type of residence or even profession/Occupation.

An example is Firefox who sell 'coolest things', aimed at younger male audience. Though, Moshi Monsters however is targeted to parents with fun, safe and educational space for younger audience.

2. Psychographics

This refers to 'personality and emotions' based on behaviour, linked to purchase choices, including attitudes, lifestyle, hobbies, risk aversion, personality and leadership traits. magazines read and TV.

An example is Virgin Holidays who segment holidays into 6 groups.

3. Lifestyle

This refers to Hobbies, recreational pursuits, entertainment, vacations, and other non-work time pursuits.

Companies such as on and off-line magazine will target those with specific hobbies i.e. FourFourTwo for football fans.

4. Belief and Values

Refers to Religious, political, nationalistic and cultural beliefs and values.

The Islamic Bank of Britain offers Sharia compliant banking which meets specific religious requirements.

5. Life Stages

Life Stages is the Chronological benchmarking of people's lives at different stages.

An example is Saga holidays which are only available for people aged 50+. They claim a large enough segment to focus on this life stage.

6. Geography

Drill down by Country, region, area, metropolitan or rural location, population density or even climate.

An example is Neiman Marcus, the upmarket department store chain in the USA now delivers to the UK.

7. Behaviour

Refers to the nature of the purchase, brand loyalty, usage level, benefits sought, distribution channels used, reaction to marketing factors.

In a B2B environment, the benefits sought are often about 'how soon can it be delivered?' which includes the 'last minute' segment - the planning in advance segment.

An example is Parcelmonkey.co.uk who offer same day, next day and international parcel deliveries.

8. Benefit

Benefit is the use and satisfaction gained by the consumer.

Smythson Stationary offer similar products to other stationery companies, but their clients want the benefit of their signature packaging: tissue-lined Nile Blue boxes and tied with navy ribbon!

Market targeting

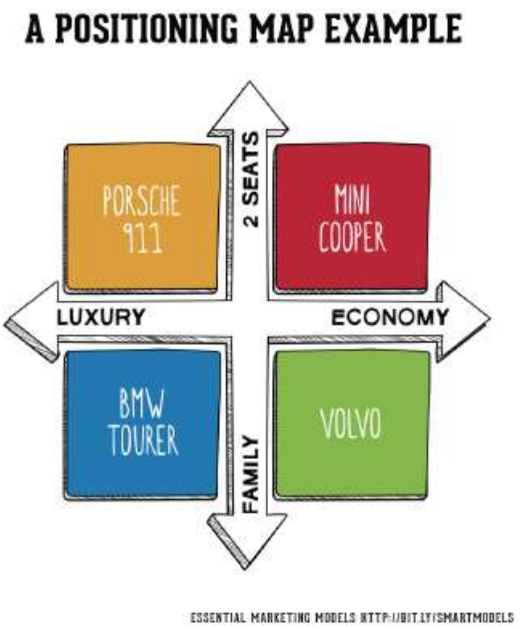
The list below refers to what's needed to evaluate the potential and commercial attractiveness of each segment.

- **Criteria Size:** The market must be large enough to justify segmenting. If the market is small, it may make it smaller.
- **Difference:** Measurable differences must exist between segments.
- **Money:** Anticipated profits must exceed the costs of additional marketing plans and other changes.
- **Accessible:** Each segment must be accessible to your team and the segment must be able to receive your marketing messages
- **Focus on different benefits:** Different segments must need different benefits.

Product positioning

Positioning maps are the last element of the STP process. For this to work, you need two variables to illustrate the market overview.

In the example here, I've taken some cars available in the UK. This isn't a detailed product position map, more of an illustration. If there were no cars in one segment it could indicate a market opportunity.



An example of a company using STP?

Any time you suspect there are significant, measurable differences in your market, you should consider STP. Especially if you have to create a range of different messages for different groups.

A good example of segmentation is BT Plc, the UK's largest telecoms company. BT has adopted STP for its varied customer groups; ranging from individual consumers to B2B services for its competitors:

What to watch for

Make sure the market is large enough to matter and customers can be easily contacted.

13. PRODUCT CONCEPTS AND CLASSIFICATION

Concept of product:

One of the important elements of marketing mix is Product. Any firm is known by the product it is offering. The other elements of marketing mix are based on it. So there it is very important that the firm must have a sound product policy. Product is any object which satisfies the consumer needs. It can be in any form like tangible or intangible.

Levels of product:

According to Philip Kotler the levels of product are five. These levels are also known as consumer value hierarchy as each level is adding more consumer value.

i) The first level of product is **core benefit or core product**which a consumer is actually buying.

ii) The next level of product is **basic product** which includes the features, quality, design etc. of the product.

iii)Then the third level is **expected product** which means expectations by the consumer regarding the product.

iv)The fourth level is **augmented product** means to offer extra services to consumer than expected by them.

v) The last level is **potential product** which means changes in the product in the coming future.

Thus, these above discussed are the levels of the product.

Classification of product:

The product can be classified into five categories.

I) Durable product: - these are the products which have long life. They can be seen or touched. Like table, chair etc.

II) Non-durable product: - these are the products which have short life, which perish quickly. They can also be seen or touched. Like fruits etc.

III) Service: - services cannot be seen or touched. Like the service of chartered accountant, lawyer etc.

IV) Consumer product: - these are the products which are used by the consumer directly without processing. Like washing powder, biscuits etc.

V) Industrial product: - these are the goods which are used by manufacturer for further production like raw material.

Product Development and Product Life Cycle:

Developing a new product involves a number of stages which typically center around the following key areas:

The Idea: Every product has to start with an idea. In some cases, this might be fairly simple, basing the new product on something similar that already exists. In other cases, it may be something revolutionary and unique, which may mean the idea generation part of the process is much more involved. In fact, many of the leading manufacturers will have whole departments that focus solely on the task of coming up with 'the next big thing'.

Research: An organization may have plenty of ideas for a new product, but once it has selected the best of them, the next step is to start researching the market. This enables them to see if there's likely to be a demand for this type of product, and also what specific features need to be developed in order to best meet the needs of this potential market.

Development: The next stage is the development of the product. Prototypes may be modified through various design and manufacturing stages in order to come up with a finished product that consumers will want to buy.

Testing: Before most products are launched and the manufacturer spends a large amount of money on production and promotion, most companies will test their new product with a small group of actual consumers. This helps to make sure that they have a viable product that will be profitable, and that there are no changes that need to be made before it's launched.

Analysis: Looking at the feedback from consumer testing enables the manufacturer to make any necessary changes to the product, and also decide how they are going to launch it to the market. With information from real consumers, they will be able to make a number of strategic decisions that will be crucial to the product's success, including what price to sell at and how the product will be marketed.

Introduction: Finally, when a product has made it all the way through the new product development stage, the only thing left to do is introduce it to the market. Once this is done, good product life cycle management will ensure the manufacturer makes the most of all their effort and investment.

Thousands of new products go on sale every year, and manufacturers invest a lot of time, effort and money in trying to make sure that any new products they launch will be a success. Creating a profitable product isn't just about getting each of the stages of new product development right, it's also about managing the product once it's been launched and then throughout its lifetime.

This product life cycle management process involves a range of different marketing and production strategies, all geared towards making sure the product life cycle curve is as long and profitable as possible.

Definition: *The overall process of strategy, organization, concept generation, product and marketing plan creation and evaluation, and commercialization of a new product.*

Innovative new products are the fuel for the most powerful growth engine you can connect to. You can grow without new products--AT&T sold essentially the same telephones for decades while becoming the world's largest telecommunications concern--but most small companies will find it difficult to grow at all, much less rapidly, without a constant stream of new products that meet customer needs.

How do you know when you need new products? Early detection of a problem with existing products is critical. The following eight symptoms of a declining product line will provide clues far enough in advance to help you do something about the problem before it's too late. Not all the symptoms will be evident in every situation, but you can start suspecting your product line when more than just one or two crop up.

1. You're experiencing slow growth or no growth. A short-term glitch in product sales can happen any time. If, however, company revenue either flattens or declines over an extended period, you have to look for explanations and solutions. If it isn't the economy or some outside force beyond your control, if your competitors didn't suddenly become more brilliant, if you still have confidence in your sales force, and if there are no major problems with suppliers, examine your product line.

2. Your top customers are giving you less and less business. It may not be worth your trouble to determine your exact market share when a rough idea of where you stand will suffice. But knowing how much business you get compared to your competitors is critical. Every piece of business your competitors are getting is business you aren't getting--and may never get. If your customers' businesses are growing and the business you get from them isn't, your product may be the culprit. Chances are, someone else is meeting your customers' needs.

3. You find yourself competing with companies you've never heard of. If you've never heard of a new competitor or don't know much about them, watch out! They have found a way to jump into a market with new products and technology that could leave you wondering what hit you. It might not be that your product has a fundamental flaw. It's more often the case that someone has brought innovation to the industry. You earn no points for status quo thinking.

4. You're under increasing pressure to lower your prices. No one likes to compete strictly on price. When your product is clearly superior and offers more value than lower-priced competitors, you don't have to. Everyone understands that great new products eventually run their course and turn into commodities. One day, a customer tells you she can't distinguish the benefits of your widget from those of one or more of your competitors, and now you are in a price squeeze. If you want the business, you have to lower your prices to stay competitive. If that was where it ended, things might stabilize, although at a lower price level. But lower prices usually mean lower profit margins, which usually mean less investment in keeping the product current, which means more price pressure, lower margins?and so it goes.

5. You're experiencing higher-than-normal turnover in your sales force. Good salespeople want to win customers so they can make more money. When they have trouble competing, they can't win customers or make money. So they look for new opportunities and challenges that will bring them what they want. You'll always have turnover, but heavy turnover is a symptom of something very wrong. It could be an ill-advised change in the compensation scheme or a new sales manager coming in with a negative attitude. But it could also be that members of your sales team are frustrated because they're having trouble selling your products. When business owners start to pressure their sales forces to get order levels up, morale drops because the salespeople know there isn't much they can do.

6. You're getting fewer and fewer inquiries from prospective customers. We all dread the time when the phone stops ringing and prospects stop coming in. When advertising or other forms of promotion aren't creating the results you want, and you see fewer positive results from the money spent, something could be wrong with the way customers see your company. An obsolete product line positions you as an obsolete company.

7. Customers are asking for product changes you can't or don't want to make. Here is a not-too-subtle sign that your product may no longer meet market needs. There will be times when you have to decide whether filling a customer's request is in your company's best interests. When customers say "I want it this way," you may want to say no because you doubt you could ever recover the costs of the change, even by raising the selling price. But when the customer says "I want it this way, and it's standard at ABC Widgets," you should suspect you aren't keeping up with changing customer needs. When your competitors have leapt ahead of you in features and benefits, you must either catch up or leap ahead of them with innovations of your own, or you'll fall so far behind you become a marketplace postscript.

8. Some of your competitors are leaving the market. In the short term, this sounds great. Your competitors drop out, and you pick up the business they leave behind. The pie is shrinking, and as it does, business gets better than ever. But beware: This is a classic signal of a declining market. Nobody walks away from a growth business. Vibrant growth markets attract new competitors; they don't discourage them.

If you decide to develop new products as part of your growth plan, you're in good company. Small companies like yours contribute at least half of the major industrial innovations occurring in the United States, according to the SBA. At the same time, approximately one-third of all new products are unsuccessful, and in some industries the percentage of failures is much higher. The way to increase your chances of coming up with good ideas is to follow the tested track to new product development success.

New product development can be described as a five-stage process, beginning with generating ideas and progressing to marketing completed products. In between are processes where you evaluate and screen product ideas, take steps to protect your ideas, and finalize design in an R&D stage. Following are details on each stage:

- **Generating ideas.** Generating ideas consists of two parts: creating an idea and developing it for commercial sale. There are many good techniques for idea creation, including brainstorming, random association and even daydreaming. You may want to generate a long list of ideas and then whittle them down to a very few that appear to have commercial appeal.

- **Evaluating and screening product ideas.** Everybody likes their own ideas, but that doesn't mean others will. When you are evaluating ideas for their potential, it's important to get objective opinions. For help with technical issues, many companies take their ideas to testing laboratories, engineering consultants, product development firms, and university and college technical testing services. When it comes to evaluating an idea's commercial potential, many entrepreneurs use the Preliminary Innovation Evaluation System (PIES) technique. This is a formal methodology for assessing the commercial potential of inventions and innovations.

- **Protecting your ideas.** If you think you've come up with a valuable idea for a new product, you should take steps to protect it. Most people who want to protect ideas think first of patents. There are good reasons for this. For one thing, you will find it difficult to license your idea to other companies, should you wish to do so, without patent protection. However, getting a patent is a lengthy, complicated process, and one you shouldn't embark on without professional help; this makes the process expensive. If you wish to pursue a patent for your ideas, contact a registered patent attorney or patent agent.

- Many firms choose to protect ideas using trade secrecy. This is simply a matter of keeping knowledge of your ideas, designs, processes, techniques or any other unique component of your creation limited to yourself or a small group of people. Most trade secrets are in the areas of chemical formulas, factory equipment, and machines and manufacturing processes. The formula for Coca-Cola is one of the best-recognized and most successful trade secrets.

- **Finalizing design research and development.** Research and development is necessary for refining most designs for new products and services. As the owner of a growing company, you are in a good position when it comes to this stage. Most independent inventors don't have the resources to pay for this costly and often protracted stage of product introduction. Most lenders and investors are trapped by a Catch-22 mentality that makes them reluctant to invest in ideas until after they're proven viable in the marketplace. If you believe in your idea, you can be the first to market.

- R&D consists of producing prototypes, testing them for usability and other features, and refining the design until you wind up with something you think you can make and sell for a profit. This may involve test-marketing, beta testing, analysis of marketing plans and sales projections, cost studies, and more. As the last step before you commit to rolling your product out, R&D is perhaps the most important step of all.

- **Promoting and marketing your product.** Now that you have a ready-for-sale product, it's time to promote, market and distribute it. Many of the rules that apply to existing products also apply to promoting, marketing and distributing new products. However, new products have some additional wrinkles. For instance, your promotion will probably consist of a larger amount of customer education, since you will be offering them something they have never seen before. Your marketing may have to be broader than the niche efforts you've used in the past because, odds are, you'll be a little unsure about the actual market out there. Finally, you may need to test some completely new distribution channels until you find the right place to sell your product.

14. BRANDING, PACKAGING AND SERVICING

Packaging is the technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of designing, evaluating, and producing packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.[1] In many countries it is fully integrated into government, business, institutional, industrial, and personal use.

Package labeling (American English) or **labelling** (British English) is any written, electronic, or graphic communication on the package or on a separate but associatedlabel.

The purposes of packaging and package labels [edit]

Packaging and package labeling have several objectives [20]

- **Physical protection** – The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature,[21] etc.

- **Barrier protection** – A barrier to oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or oxygen absorbers to help extend shelf life.Modified atmospheres [22] or controlled atmospheres are also maintained in some food packages. Keeping the contents clean, fresh, sterile [23] and safe for the duration of the intended shelf life is a primary function. A barrier is also implemented in cases where segregation of two materials prior to end use is required, as in the case of special paints, glues, medical fluids, etc. At the consumer end, the packaging barrier is broken or measured amounts of material are removed for mixing and subsequent end use.

- **Containment or agglomeration** – Small objects are typically grouped together in one package for reasons of storage and selling efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials need containment.

- **Information transmission** – Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by government legislation. Some packages and labels also are used for track and trace purposes. Most items include their serial and lot numbers on the packaging, and in the case of food products, medicine, and some chemicals the packaging often contains an expiry/best-before date, usually in a shorthand form. Packages may indicate their construction material with a symbol.

- **Marketing** – Packaging and labels can be used by marketers to encourage potential buyers to purchase a product. Package graphic design and physical design have been important and constantly evolving phenomena for several decades. Marketing communications and graphic design are applied to the surface of the package and often to the point of sale display. Most packaging is designed to reflect the brand's message and identity.

A single-serving shampoopacket

- **Security** – Packaging can play an important role in reducing the security risks of shipment. Packages can be made with improved tamper resistance to deter manipulation and they can also have tamper-evident[24] features indicating that tampering has taken place. Packages can be engineered to help reduce the risks of package pilferage or the theft and resale of products: Some package constructions are more resistant to pilferage than other types, and some have pilfer-indicating seals. Counterfeit consumer goods, unauthorized sales (diversion), material substitution and tampering can all be minimized or prevented with such anti-counterfeiting technologies. Packages may include authentication seals and use security printing to help indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices such as dye-packs, RFID tags, or electronic article surveillance[25] tags that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of retail loss prevention.

- **Convenience** – Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, reclosing, using, dispensing, reusing, recycling, and ease of disposal

- **Portion control** – Single serving or single dosage packaging has a precise amount of contents to control usage. Bulk commodities (such as salt) can be divided into packages that are a more suitable size for individual households. It also aids the control of inventory: selling sealed one-liter bottles of milk, rather than having people bring their own bottles to fill themselves.

Packaging types

Various types of household packaging for foods

Packaging may be of several different types. For example, a **transport package** or **distribution package** can be the shipping container used to ship, store, and handle the product or inner packages. Some identify a **consumer package** as one which is directed toward a consumer or household.

Packaging may be described in relation to the type of product being packaged: medical device packaging, bulk chemical packaging, over-the-counter drug packaging, retail foodpackaging,

Military materiel packaging, pharmaceutical packaging, etc.

Aluminum can with an easy-open lid

It is sometimes convenient to categorize packages by layer or function: "primary", "secondary", etc.

- Primary packaging is the material that first envelops the product and holds it. This usually is the smallest unit of distribution or use and is the package which is in direct contact with the contents.

- Secondary packaging is outside the primary packaging, and may be used to prevent pilferage or to group primary packages together.

- Tertiary packaging is used for bulk handling, warehouse storage and transport shipping. The most common form is a palletized unit load that packs tightly into containers.

These broad categories can be somewhat arbitrary. For example, depending on the use, a shrink wrap can be primary packaging when applied directly to the product, secondary packaging when used to combine smaller packages, or tertiary packaging when used to facilitate some types of distribution, such as to affix a number of cartons on a pallet.

15. OBJECTIVES AND METHODS OF PRICING

Business can use a variety of **pricing strategies** when selling a product or service. The price can be set to maximize profitability for each unit sold or from the market overall. It can be used to defend an existing market from new entrants, to increase market share within a market or to enter a new market. Businesses may benefit from lowering or raising prices, depending on the needs and behaviors of customers and clients in the particular market. Finding the right pricing strategy iis an important element in running a successful business

Models of pricing

Absorption pricing:

Method of pricing in which all costs are recovered.The price of the product includes the variable cost of each item plus a proportionate amount of the fixed costs.

Contribution margin-based pricing:

Contribution margin-based pricing maximizes the profit derived from an individual product, based on the difference between the product's price and variable costs (the product's contribution margin per unit), and on one's assumptions regarding the relationship between the product's price and the number of units that can be sold at that price. The product's contribution to total firm profit (i.e. to operating income) is maximized when a price is chosen that maximizes the following: (contribution margin per unit) *X* (number of units sold).

In cost-plus pricing, a company first determines its break-even price for the product. This is done by calculating all the costs involved in the production such as raw materials used in it transportation etc., marketing and distribution of the product. Then a markup is set for each unit, based on the profit the company needs to make, its sales objectives and the price it believes customers will pay. For example, if the company needs a 15 percent profit margin and the break-even price is $2.59, the price will be set at $2.98 ($2.59 x 1.15).[2]

Creaming or skimming:

In most skimming, goods are sold at higher prices so that fewer sales are needed to break even. Selling a product at a high price, sacrificing high sales to gain a high profit is therefore "skimming" the market. Skimming is usually employed to reimburse the cost of investment of the original research into the product: commonly used in electronic markets when a new range, such as DVD players, are firstly dispatched into the market at a high price. This strategy is often used to target "early adopters" of a product or service. Early adopters generally have a relatively lower price-sensitivity - this can be attributed to: their need for the product outweighing their need to economise; a greater understanding of the product's value; or simply having a higher disposable income.

This strategy is employed only for a limited duration to recover most of the investment made to build the product. To gain further market share, a seller must use other pricing tactics such as economy or penetration. This method can have some setbacks as it could leave the product at a high price against the competition.[3]

Decoy pricing:

Method of pricing where the seller offers at least three products, and where two of them have a similar or equal price. The two products with the similar prices should be the most expensive ones, and one of the two should be less attractive than the other. This strategy will make people compare the options with similar prices, and as a result sales of the more attractive high-priced item will increase.

Freemium:

Freemium is a revenue model that works by offering a product or service free of charge (typically digital offerings such as software, content, games, web services or other) while charging a premium for advanced features, functionality, or related products and services. The word "freemium" is a portmanteau combining the two aspects of the business model: "free" and "premium". It has become a highly popular model, with notable success.

High-low pricing:

Methods of services offered by the organization are regularly priced higher than competitors, but through promotions, advertisements, and or coupons, lower prices are offered on key items. The lower promotional prices are designed to bring customers to the organization where the customer is offered the promotional product as well as the regular higher priced products.[4]

Limit pricing:

A limit price is the price set by a monopolist to discourage economic entry into a market, and is illegal in many countries. The limit price is the price that the entrant would face upon entering as long as the incumbent firm did not decrease output. The limit price is often lower than the average cost of production or just low enough to make entering not profitable. The quantity produced by the incumbent firm to act as a deterrent to entry is usually larger than would be optimal for a monopolist, but might still produce higher economic profits than would be earned under perfect competition.

The problem with limit pricing as a strategy is that once the entrant has entered the market, the quantity used as a threat to deter entry is no longer the incumbent firm's best response. This means that for limit pricing to be an effective deterrent to entry, the threat must in some way be made credible. A way to achieve this is for the incumbent firm to constrain itself to produce a certain quantity whether entry occurs or not. An example of this would be if the firm signed a union contract to employ a certain (high) level of labor for a long period of time. In this strategy price of the product becomes the limit according to budget.

Loss leader:

A loss leader or leader is a product sold at a low price (i.e. at cost or below cost) to stimulate other profitable sales. This would help the companies to expand its market share as a whole.

Marginal-cost pricing:

In business, the practice of setting the price of a product to equal the extra cost of producing an extra unit of output. By this policy, a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labor. Businesses often set prices close to marginal cost during periods of poor sales. If, for example, an item has a marginal cost of $1.00 and a normal selling price is $2.00, the firm selling the item might wish to lower the price to $1.10 if demand has waned. The business would choose this approach because the incremental profit of 10 cents from the transaction is better than no sale at all.

Market-oriented pricing:

Setting a price based upon analysis and research compiled from the target market. This means that marketers will set prices depending on the results from the research. For instance if the competitors are pricing their products at a lower price, then it's up to them to either price their goods at an above price or below, depending on what the company wants to achieve.

Odd pricing:

In this type of pricing, the seller tends to fix a price whose last digits are just below a round number (also called just-below pricing). This is done so as to give the buyers/consumers no gap for bargaining as the prices seem to be less and yet in an actual sense are too high, and takes advantage of human psychology. A good example of this can be noticed in most supermarkets where instead of pricing at £10, it would be written as £9.99.

Pay what you want:

Pay what you want is a pricing system where buyers pay any desired amount for a given commodity, sometimes including zero. In some cases, a minimum (floor) price may be set, and/or a suggested price may be indicated as guidance for the buyer. The buyer can also select an amount higher than the standard price for the commodity.

Giving buyers the freedom to pay what they want may seem to not make much sense for a seller, but in some situations it can be very successful. While most uses of pay what you want have been at the margins of the economy, or for special promotions, there are emerging efforts to expand its utility to broader and more regular use.

Penetration pricing:

Penetration pricing includes setting the price low with the goals of attracting customers and gaining market share. The price will be raised later once this market share is gained.[5]

Predatory pricing:

Predatory pricing, also known as aggressive pricing (also known as "undercutting"), intended to drive out competitors from a market. It is illegal in some countries.

Premium decoy pricing:

Method of pricing where an organization artificially sets one product price high, in order to boost sales of a lower priced product.

Premium pricing:

Premium pricing is the practice of keeping the price of a product or service artificially high in order to encourage favorable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable) tendency for buyers to assume that expensive items enjoy an exceptional reputation, are more reliable or desirable, or represent exceptional quality and distinction.

Price discrimination:

Price discrimination is the practice of setting a different price for the same product in different segments to the market. For example, this can be for different classes, such as ages, or for different opening times.

Price leadership:

An observation made of oligopolistic business behavior in which one company, usually the dominant competitor among several, leads the way in determining prices, the others soon following. The context is a state of limited competition, in which a market is shared by a small number of producers or sellers.

Psychological pricing:

Pricing designed to have a positive psychological impact. For example, selling a product at $3.95 or $3.99, rather than $4.00. There are certain price points where people are willing to buy a product. If the price of a product is $100 and the company prices it as $99, then it is called psychological pricing. In most of the consumers mind $99 is psychologically 'less' than $100. A minor distinction in pricing can make a big difference in sales. The company that succeeds in finding psychological price points can improve sales and maximize revenue.

Target pricing business:

Pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

Time-based pricing:

A flexible pricing mechanism made possible by advances in information technology, and employed mostly by Internet-based companies. By responding to market fluctuations or large amounts of data gathered from customers - ranging from where they live to what they buy to how much they have spent on past purchases - dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customer's willingness to pay. The airline industry is often cited as a dynamic pricing success story. In fact, it employs the technique so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.[6]

Value-based pricing:

Pricing a product based on the value the product has for the customer and not on its costs of production or any other factor. This pricing strategy is frequently used where the value to the customer is many times the cost of producing the item or service. For instance, the cost of producing a software CD is about the same independent of the software on it, but the prices vary with the perceived value the customers are expected to have. The perceived value will depend on the alternatives open to the customer. In business these alternatives are using competitors software, using a manual work around, or not doing an activity. In order to employ value-based pricing you have to know your customer's business, his business costs, and his perceived alternatives.It is also known as Perceived-value pricing.

Other pricing approached:

Nine laws of price sensitivity and consumer psychology

In their book, *The Strategy and Tactics of Pricing*, Thomas Nagle and Reed Holden outline nine "laws" or factors that influence how a consumer perceives a given price and how price-sensitive they are likely to be with respect to different purchase decisions. [7][8]

They are:

1. **Reference Price Effect** – buyer's price sensitivity for a given product increases the higher the product's price relative to perceived alternatives. Perceived alternatives can vary by buyer segment, by occasion, and other factors.

2. **Difficult Comparison Effect** – buyers are less sensitive to the price of a known or more reputable product when they have difficulty comparing it to potential alternatives.

3. **Switching Costs Effect** – the higher the product-specific investment a buyer must make to switch suppliers, the less price sensitive that buyer is when choosing between alternatives.

4. **Price-Quality Effect** – buyers are less sensitive to price the more that higher prices signal higher quality. Products for which this effect is particularly relevant include: image products, exclusive products, and products with minimal cues for quality.

5. **Expenditure Effect** – buyers are more price-sensitive when the expense accounts for a large percentage of buyers' available income or budget.

6. **End-Benefit Effect** – the effect refers to the relationship a given purchase has to a larger overall benefit, and is divided into two parts: *Derived demand*: The more sensitive buyers are to the price of the end benefit, the more sensitive they will be to the prices of those products that contribute to that benefit. *Price proportion cost*: The price proportion cost refers to the percent of the total cost of the end benefit accounted for by a given component that helps to produce the end benefit (e.g., think CPU and PCs). The smaller the given components share of the total cost of the end benefit, the less sensitive buyers will be to the components' price.

7. **Shared-cost Effect** – the smaller the portion of the purchase price buyers must pay for themselves, the less price sensitive they will be.

8. **Fairness Effect** – buyers are more sensitive to the price of a product when the price is outside the range they perceive as "fair" or "reasonable" given the purchase context.

9. **The Framing Effect** – buyers are more price sensitive when they perceive the price as a loss rather than a forgone gain, and they have greater price sensitivity when the price is paid separately rather than as part of a bundle.

16. OBJECTIVE AND METHOD OF PRICING

Price is a vital component of a marketing mix, also known as the "four Ps" of marketing. The other components are product, place and promotion, all of which constitute costs. Price, on the other hand, generates a return as it supports the other marketing-mix elements. Although supply and demand drive pricing decisions, they're not the only factors. Any number of pricing objectives may come into play, but four in particular apply to most businesses.

Survival:

Prices are flexible. A company can lower them in order to increase sales enough to keep the business going. The company uses a survival-based price objective when it's willing to accept short-term losses for the sake of long-term viability.

Profit:

Price has both direct and indirect effects on profit. The direct effect relates to whether the price covers the cost of producing the product. Price affects profit indirectly by influencing how many units sell. The number of products sold also influences profit through economies of scale -- the relative benefit of selling more units. The primary profit-based objective of pricing is to maximize price for long-term profitability.

Related Reading: Factors Influencing Pricing Strategy

Sales:

Sales-oriented pricing objectives seek to boost volume or market share. A volume increase is measured against a company's own sales across specific time periods. A company's market share measures its sales against the sales of other companies in the industry. Volume and market share are independent of each other, as a change in one doesn't necessarily spur a change in the other.

Status Quo:

A status quo price objective is a tactical goal that encourages competition on factors other than price. It focuses on maintaining market share, for example, but not increasing it, or matching a competitor's price rather than beating it. Status quo pricing can have a stabilizing effect on demand for a company's products.

Regulation of Prices:

Price regulation is the practice of governments dictating how much certain commodities or products may be sold for both in the retail marketplace and at other stages in the production process. Most common when monopolies or utilities are involved, price regulation sometimes occurs with other products or commodities, either as a specific measure of control or as an emergency economic measure. Supported by many who claim there are products that should be accessible by everyone, price regulation is opposed by others who claim that price regulation stifles investment and innovation.

Capitalist systems generally let the market set the price of any product, with sellers setting a price that consumers are willing to pay, but which provides them enough volume to generate the profit they need. Most governments in those systems adopt a *laissez-faire* attitude, stepping in only when a commodity is deemed to be essential for all members of society, so its price cannot be left to the whims of profit-oriented companies. For example, in most developed countries, electricity is an absolute necessity, so a purely market-driven system could see electricity prices skyrocket to many multiples of actual prices, without any significant drop-off in usage.

Most developed nations, then, regulate the prices of those commodities that are deemed essential, especially when their distribution is controlled by a small group of companies. Public utilities — primarily the distributors of water, electricity, natural gas and land-line telephone service — are regulated as to the prices they're allowed to charge for the commodities or services they provide to the public. The key element in such regulations is setting a price that guarantees a reasonable profit in order to avoid driving away those whose investments fund the utility's research and development components, keeping it competitive. Some necessities, such as gasoline, are not regulated, chiefly because the many competing enterprises in the market create a true market economy pricing structure.

Price regulation is also imposed during times of emergency or financial volatility. During World War II, the United States and some other Allied nations imposed wage and price controls for the duration of the war to keep the domestic economy stable and fight inflation. In 1971, the United States again imposed wage and price controls, freezing both for 90 days in a program that ultimately lasted until 1973. It proved to be ineffective because most manufacturers that applied for permission to increase prices received it, on the ground that they were necessary to meet increases in production costs.

Command economies like communism routinely impose price regulations on a broad range of goods and services. The ultimate effect of price regulation, though, is to reduce supply if the price is too low, thus increasing demand. This is the reason capitalist societies only regulate essential goods and services, and even then, they set the regulations to ensure that the producer earns a reasonable profit.

17. DISTRIBUTION OF CHANNEL

Distribution has two elements, the institutional and the physical. Whilst the modes of market entry were fully discussed in chapter seven, the actual institutions (for example retailers, agents and so on.) were not. These will be discussed briefly. Physical distribution aspects cover transport and warehousing, and again, these will be briefly touched on.

Whilst most agricultural exports from developing countries are either in a "primary" format (for example cotton, maize) or "finished" format (for example flowers, vegetables) increasing attention is being put on "processed" or "added value" formats. This means that, whereas in the former, exporters are in the hands of agents, merchants or other middlemen, in the latter much more needs to be understood of the channel itself. The more is known about the end user and the channel to reach him/her the better equipped will be the exporter to understand and meet the needs and also to perhaps gain more of the exported added value. It is a fact in flowers, for example, that these are sold on from the Dutch market to the Far East, where the price commanded is much more than the original exporter price. If the original exporter could participate in this channel, the greater would be the return.

The longer the channel, the more likely that producer profits will be indirectly reduced. This is because the end product's price may be too expensive to sell in volume, sufficient for the producer to cover costs. Yet cutting channel length may be impossible, as country infrastructure requirements may dictate they being there.

Chapter Objectives:

The objectives of this chapter are:

- To give an understanding of the institutional and physical aspects of channels of distribution in global marketing
- To describe the different channels of distribution and show their advantages and disadvantages and,

 To illustrate the importance and role of channels of distribution by reference to two case studies on cotton and horticultural produce.

The Structure of the Chapter:

The chapter starts by showing the importance of the institutional and physical channel of distribution in global marketing. It then discusses the different forms of channel, their advantages and disadvantages. Particular attention is paid to the channel forms of relevance to global agricultural food marketing including brokers, contractors, and personalised trading networks. The chapter ends by concentrating on two case studies - cotton and horticulture; two industries where channel management needs to be particularly well organised.

Channels:

A channel is an institution through which goods and services are marketed. Channels give place and time utilities to consumers. In order to provide these and other services, channels charge a margin. The longer the channel the more margins are added.

Channels are an integrative part of the marketer's activities and as such are very important. They also give a very vital information flow to the exporter. As seen in chapter seven, the degree of control one has over a channel depends on the channel type which is employed. Whilst for developing countries, as stated earlier, channels are almost given, this is not always the case, and as exporting becomes more and more necessary, it will not always be the case. In deciding on channel design the following have to be considered carefully:

 Market needs and preferences

 The cost of channel service provision

 Incentives for channel members and methods of payment

 The size of the end market to be served

 Product characteristics required, complexity of product, price, perishability, packaging

 Middlemen characteristics - whether they will push products or be passive

 Market and channel concentration and organization

 Appropriate contractual agreements

 Degree of control.

Channel structure:

Channel structure varies considerably according to whether the product is consumer or business to business oriented. The former tends to have a variety of formats, whereas the latter is less complicated. Figures 10.1 and 10.2 give a stylised channel alternative structure. The choice of which one is used depends on the requirements listed above.

In many countries there is a move to vertical or horizontal integration within channels, especially in developed countries where large chains dominate, as in the UK food retail trade. The converse is the scenario in many less developed countries. In East Africa, for example, small dukas (carrying less than 100 items and occupying no more than 506.75 square feet of space) operate widely on a margin of 12% as opposed to the developed countries' average of 24% margin. Also there can be very thriving parallel market systems, often difficult to track down. Decisions on what channels and entry strategy to adopt depend heavily on the risks, availability and costs of channels.

Most developing countries rely heavily on agents in distributing their products. Whilst criticism of being "ripped off" is often made, the loss caused by the shrinkage is less than that associated with more sophisticated channel forms.

We can now look in detail, at some important types of channel members relevant to agricultural marketing.

Brokers:

Brokers do not take title to the goods traded but link suppliers and customers. They are commonly found in international markets and especially agricultural markets. Brokers have many advantages, not least of which is they can be less costly overall for suppliers and customers.

 They are better informed by buyers and or sellers.

 They are skilled socially to bargain and forge links between buyers and sellers.

 They bring the "personal touch" to parties who may not communicate with each other.

 They bring economies of scale by accumulating small suppliers and selling to many other parties.

 They stabilise market conditions for a supplier or buyer faced with many outlets and supply sources.

Personalised trading networks:

Frequently, relationships may be built up between a buyer and a seller, in which over time as confidence grows, unwritten and informal understandings develop. These relationships reduce information, bargaining, monitoring and enforcement costs. Often, as relationships build, then trust develops which may become proxy for laws. Flexibility ensues which often means priorities or "favours" can be expedited. Trust and reciprocity can enable trade to develop in unstable economic circumstances, but both parties are aware the relationship can be undermined through opportunistic behaviour. The Kenyan fresh vegetable industry is a classic example of personalised trading networks enabling international trade between Kenya suppliers and their familial (often Asian) buyers in the United Kingdom.

Associations, voluntary chains, cooperatives:

Associations, voluntary chains and cooperatives can be made up of producers, wholesalers, retailers, exporters and processors who agree to act collectively to further their individual or joint interests. Members may have implicit or exclusive contracts, membership terms and standard operating procedures.

These forms of coordination have a number of advantages:

 They counter the "lumpy investment" phenomenon by spreading the cost of investment among members.

 They can reduce or pool members' risks by bulk buying, providing insurance and credits, pooling market prices and risk.

 They lower transaction costs of members through arbitration of disputes, provision of market information systems, been a first stop for output.

 They can reduce marketing costs through the provision of promotion, protection of qualities and monitoring members' standards.

 They can act as a countervailing power between buyers and producers. This is very important where supermarkets in the UK, for example, are now buying in such quantities that they are dictating terms to suppliers.

Developing countries do not have a history of good cooperative development, primarily because of poor management, financial ineptitude and over-reaching themselves. However, the Bombay Milk Scheme in India is working very well. The latter has been very successful in going into value added processing as well.

Contracting:

Contracting represents an intermediate institutional arrangement between spot market trading and vertical integration. Marketing and production contracts allow a degree of continuity over a season, cycle or other period of time, without the "instantaneous" of spot trading.

The two main types of contract are:

i) Forward Markets. These involve commitments by buyers and sellers to sell and purchase a particular commodity over a stated period of time. Specifications usually include weight, volumes, standards and values. Prices may be based on cost plus or negotiated. These contracts exist between farmers and first handlers and exporters and importers.

ii) Forward resource/management contracts. These arrangements combine forward market sale and purchase commitments with stipulations regarding the transfer and use of specific resources and/or managerial functions. In such a contract the exchange of raw material or commodity is made on condition that it involves the use of certain inputs or methods, advised by the buyer, who may even take over the distribution function. This is a typical Marks and Spencer arrangement. Marks and Spencer is a very successful, high quality and price retail operation in the UK Such arrangements are found in many franchising, distributor or marketing/management agreements and help to internalise many future product transactions.

Both these forms of contract reduce the risks on both the buyers' and the sellers' side. By creating forward markets, the seller reduces market risk, and the buyer ensures that he receives commodities to certain specifications. Forward/resource management contracts also have the advantage of the provision of credit, market information and, perhaps, other "trade" secrets. Production contracts to farmers are also a source of credit collateral.

Integration:

Integration vertically involves the combination of two or more separate marketing or production components under common ownership or management. It can involve investments "forward" or "backward" in existing activities or investments in interlinked activities. Integration horizontally means the linking of marketing or production separables at the same level in the system, for example, a group of retailers. Integration can bring a number of economies to food marketing systems, viz:

 Production/logistical economies: integration can bring economies of bulk, transport, and inventories.

 Transaction cost economies: integration brings cost economies because the firm may become the sole supplier of goods and services to itself; these include bargaining costs, information system streamlining and centralised decision making.

 Risk bearing advantages: vertical integration can overcome risk and uncertainty, i.e. by internalising flows the organisation can eliminate the risk of variability in supplies, outlets, qualities and so on. More direct control over assets may enable the firm to invest in processing and marketing facilities which further enable the development of economies of scale. Typical examples include nuclear estates and outgrower schemes.

 Market imperfections: these can be "absorbed" often by vertically integrated organisations. Taxes, prices and exchange controls and other regulations may be "absorbed" to give pecuniary gain. Also, integration enables the firm to increase its market share and leverage with suppliers and customers.

In agriculture, Lonrho and Anglo American provide excellent examples of vertically integrated organisations. Lonrho, with its estates in Kenya, is also in processing. Anglo American is also in agriculture and provides an interesting case of vertical integration giving advantages. If one takes the Anglo American operation in Zimbabwe, it owns, amongst other things, citrus estates. It not only grows, but processes and markets domestically and internationally. In addition, Anglo owns training facilities, transport facilities and gives credit and investment capabilities. Its international operation means it knows the Government tax, regulations, exchange controls and other measures very well, and so can "negotiate" around or within this legal/monetary framework.

Government:

It has already been seen in chapter seven that Government can take a leading role in the distribution of goods and services via state-owned Marketing Boards. Government may provide an infrastructure which the private sector just cannot afford for example roads, utilities, training and extension. Government has the sovereign authority to provide the regulatory framework within which commodity or agricultural export systems can be developed. It can also define the rules for international trade and market entry. It can negotiate in either a bilateral or multilateral form, to facilitate a particular commodity transfer or arrange lower terms of access.

Government also has other roles to play like cooperating or providing services in defined markets. It can provide credit or market information. It may stabilise prices with price controls like floor or ceiling prices, buffer stocks, quantity controls and so on. Government can regulate the competitive position of markets by passing regulations which protect or promote a market structure. It may force suppliers into Marketing Boards as the only outlet and so alter the whole competitive structure of industry. Both Marketing Boards and Marketing Orders can be used to control physical commodity flows, enforce market quality standards and pool market risk. Finally Government can "enable" suppliers through the introduction of export incentives, reduced taxes or export retention schemes.

As an example of international channels decisions and management the following cotton example is given, adapted from the ITC training manual (1989)[1].

Cotton marketing:

Customer requirements:

In marketing cotton the basic question is, who is the customer? For cotton it may be an international merchant (large or small) or a local/regional merchant (large or small) or a spinning mill in the end user country. The customer has a number of clearly defined needs including the following:

 Availability - on time and in steady supply

 Quality - reliable, even running, free from foreign matter, no country damage and will pass the micro, PSI and GPT test values

 Shipment - on time, in a container, clearly marked and direct to customer

 Price - competitive at a given time. Its relative value must be competitive versus synthetics quality and against the Liverpool index.

 Terms - these must be simple - FOB, CFR etc. and be in tune with arrival/delivery schedules. Deferred terms and payment in home currency are advantageous

 Arbitration - a system for rejection, substitution and penalties must be agreed

 Information - advice on price developments, time to buy, who else buys and ranges of prices.

In addition, the producer and merchant have needs and objectives:

Producer:

 Maximum inflow - for goods and services (freight insurance)

 Maintain presence in key markets

 Image - quality, contract performance and administrative excellence

Merchant:

 Margin level

 Market share/key customers - either big, international or niche

 Image - cheapest, most aggressive, quality and customer service.

Channel structure:

below gives a typical channel structure for cotton[1]. At each stage value is added. The typical value chain is seed merchants, farmers, country buyers/cooperatives, ginner, buyer, merchant, selling agent and end user.

Channel alternatives:

As can be seen from the above figure there are a possible number of alternatives for distributing cotton. Basically the choice comes down to two alternatives, the producer/seller selling direct or through an international merchant or agent.

International merchant/agent: A good merchant is characterised by the following characteristics, in comparison to the producer/seller selling direct:

 Well informed
 Well disciplined
 Knows the detail of his business
 Thinks in terms of probabilities and absolute terms (risk/reward)
 Is concerned but not dogmatic - he can accept when he is wrong
 Reports to few and knowledgeable people

An international merchant acts as a bridge between producers and consumers. He performs the following functions:

 Language - conducts communications in suppliers' and consumers' preferred language

 Space utility - he prepares the logistics function including sea and/or land transportation arrangements, documentation preparation and arrangements for insurance coverage

 Time utility - financing through own/banking facilities

 Currency risks - buys and sells in currencies required by sellers and buyers, does currency conversions, provides financial information and technical assistance and offers a currency gap guarantee

 Market risks - takes a long or short market basis position, deals with hedging, options, off-take and supply deals and price guarantee contracts

 Terminal exchanges - provides a brokering service and fixations

 Countertrade - handles the cotton side of the deal

 Quality - gives information on quality available, give quality recommendations for consumers, handles quality option/basket contracts and shows quality alternatives and,

 Culture - handles and is a link between remote developing areas and highly advanced and sophisticated centres of the world.

As can be seen from this list the services offered are considerable. The services he can provide to a producer are as follows:

 Up-to-date market information

 Information on competitors and prices

 Financing (producer and end user)

 Buying of all exportable qualities

 Buying on local terms

 Prompt payment

 Buying when producer can/wants to sell

 Buying unfixed at seller's call and,

 Contract guarantee for proper fulfilment.

Despite all these benefits, the choice of a merchant and/or agent has to be taken after careful consideration of the following criteria:

 Knowledge - of local circumstances (political, business and general, and of textiles in particular);

 Professionalism - cotton know-how

 Market coverage - covers large segment of end users

 Finance - financially sound and not dependent on sales to poor customers

 Language ability - avoid misunderstandings

 Integrity - particularly on pricing and,

 Infrastructurally sound, with good communications and administration.

Dangers to watch out for are:

 Representation - does agent handle other representations - cotton or non-cotton -, and how important and synergistic are they?

 Pricing integrity - does the agent ever try to change the price given by the principal?

Whilst most of these factors are producer oriented criteria, the trader himself has a predicament. Does he "think big" through looking at world supply/demand patterns, world economic conditions, the textile industry in general, fashion trends and currency movements, or does he "think small". Think small can be triggered by questions like will West Texas produce low micronaire cotton? Will XYZ Spinners go bankrupt? Will I find freight from Buenos Aires to Lagos? Will the price go up or down tomorrow? Whilst trying to find an answer to this dilemma, the trader may run out of time, money and courage and go broke. Risk and reward are ultimate advisers.

Producer/seller direct:

In comparing the direct producer seller channel versus the merchant/agent channel, the question of control over distribution activities is the most telling argument as is the relationship which can be built up between producer and consumer. However, as can be seen from the previous section, the merchant/agent provides a number of services which are very powerful. Table 10.1 below summarises the main points of comparison.

Table 10.1 Comparison of international merchant and producer/seller

Merchant	Producer/seller
Global presence	Local/single market growth
Can choose to do nothing	Forced to act
Flexible sourcing/selling	Always long
Can offer client alternatives	Limited assortment
Staffing flexibility	Local staff
Currency/market risks	Currency risks
Market information wide	Limited market information
Handles prompt payments	May have to wait for payment
Quality guarantees	May not guarantee same quality

Whilst experience with traders may lead to some unsatisfactory outcomes, in the main merchants/agents in the long run offer a more convenient form of channel of distribution than direct dealings.

Market strategy:

In designing a marketing strategy, both external factors (macro-environmental) and internal factors (micro-environmental) have to be considered.

External factors:

The principle factor to consider here is "government". In general the role of government has increased over the years with few truly free, purely supply/demand oriented producer countries.

Government has an effect on three areas - production, exports and imports.

 Production - Government has sought to promote its own cotton industry by certain measures. This has led to a competitive edge by certain countries. In Egypt, Sudan and Turkey, input subsidies on fertilizers, seeds and pesticides have been used. Colombia and Pakistan have obtained credit at favourable terms. Syria, the CIS and Egypt have had ginning realisation. In most countries seed research has either been directly or indirectly funded by government.

 Exports - government influence here has been in minimum price legislation, special exchange rates, export credit facilities and export duties.

 Imports - Basically this has been free of influence for typical importing countries, but there are special ad hoc regulations for occasional imports. Because of the drought, Zimbabwe had to import lint in 1992/93 to keep its textile industry going. This, inevitably, was a special deal as Zimbabwe usually provides for its own needs from its own production.

As well as these forms of intervention, governments may pursue a specific policy for its cotton industry. The US cotton programme, for example, is to provide a stimulus to produce more or less and/or make US cotton competitive. This is done through loans, target price mechanisms, acreage reduction programmes, paid diversions, inventory reduction programmes and through the AWP (Average World Price).

Internal factors: A clearly defined strategy is required. Primarily the producer has to decide whether it will sell pre-season or when the crop comes in, and/or is it to be a one off or steady seller.

 Pricing - the producer has to decide on what pricing strategy to follow - average fixed, average on call, speculative or the use of options.

In theory the free market principle of supply and demand is applicable but in practice the question is whether the market is supply or demand driven. The demand for cotton depends on so many factors -elasticity, substitutes and the limits to cotton price elasticity, origin, shortages/disasters all affect price. Buffer stocks in cotton are not very relevant, as it would be difficult to make it work universally, hence limiting the price/supply option.

Added to the price equation is "basis" trading. A basis is defined as the difference to New York Futures, either on or off. Other definitions include "buying basis the country basis" or "basis Liverpool Index". Basis trading has become more prevalent for traders/exporters and mills for a number of reasons:

 the outright market position risk is too large (basis fluctuations are normally less than market hedging)

 in cases of default the trader's risk is basis difference which is often smaller than the market;

 many conserve cash for margins;

 a producer/exporter has the opportunity to obtain more US dollars (or less); and,

 a mill has the opportunity to obtain a lower (or higher) price.

A basis is established in the following way:

 Using US cotton as a common denominator. The US is a constant exporter, always in the market at any quality.

 Buying New York futures against a sale or selling New York futures against a purchase or directly quoting a basis.

The basic technical aspects include:

 choosing the correct month
 right to fix
 fixation deadlines
 before delivery
 after delivery (provision price)
 rolling forward or backward
 margin requirements in case of delayed fixation
 giving fixation orders.

Basis versus New York is inherent in any cotton price. New York futures are a legitimate way to hedge a market position for a merchant although one must realise that it is not often a perfect hedge. However, it is often the only way a trader can enter a far forward buying or selling commitment. For a producer or mill it is a risky attempt to maximise the dollar return for his product or lower the price of his purchase. It is also an indirect way to play with the futures market where a direct involvement for certain reasons is impossible.

So on channels, a decision has to be made whether to sell direct, or through merchants, or use a combination or sell to any market or selected markets. Similarly, rotation in the choice of staff and staffing (traders, classes, administrators) - a decision has to be made on whether to use the same staff, international expertise through travel/congresses or low key and/or train staff.

Marketing action:

In order to make the cotton flow work the following must be observed:

 Marketing - know the markets, competition and customers; travel and meet people; document yourself; decide on a main focus (do not fragment); ensure feedback to producer, seed merchants and logistics providers

 Selling - select customers and agents carefully; look for standard terms with flexibility built in; stick to your agents and customers, lasting relationships build confidence, especially in times of difficulty; do not underestimate a first-class merchant's function; keep a customer file and be available at home

 Administrative - be efficient, have communication facilities and give prompt payment settlement

 Staffing - seek continuity of staff and provide training.

The cotton industry has a number of associations, which provide a variety of services. These include the International Cotton Advisory Committee (ICAC) which has government members and provides statistics and standards, ITMF which is user oriented, the Liverpool Cotton Exchange which does contracts and negotiation and the New York Cotton Exchange which deals in futures.

Physical distribution:

As well as the institutional elements of distribution, channel management includes services and physical elements - transport, warehousing and inventory management. These are very specialised areas of distribution and include different modes of transport - land, sea, air, and services offered by freight forwarders, agents, insurance etc. The readings accompanying this chapter provide most of the detail, so here the modes of distribution are briefly covered.

As well as negotiating all the paperwork and the quota or tariff agreements described earlier in this section, the exporting company has to consider storage, documentation and transportation. The importance of these elements can be seen in the following case study of 1991 for the horticultural industry in Zimbabwe, Malawi, Tanzania and Zambia, reported by Collett (1991)[2].

East Africa horticulture marketing:

In order to establish a successful horticultural export industry it is important that the producer, the importer and the government consider the venture as a genuine partnership, built on trust. The most important player in this partnership is undoubtedly the government which controls most aspects of production and marketing, in one way or another and will contribute to the success or failure of the industry.

Most African countries face two main problems, namely, on the one hand unemployment and on the other, a shortage of foreign currency. Horticulture, being a major employer of labour and as a provider of export a significant earner of foreign currency, can contribute to easing both the employment and foreign currency situations.

World demand for high quality horticulture products, combined with the high cost of labour in the developed countries, has resulted in high prices and high returns for producers.

Partnership:

In the partnership between grower, importer and government, each has different roles as follows:

Grower:

- Horticulture is a high risk, high return industry requiring a very high standard of management
- Growers have to obtain, and employ if necessary, technical skills
- Transport options have to be considered
- Financial arrangements have to be made, particularly foreign currency and,
- At all times quality, quantity, and continuity has to be guaranteed.

Importer:

- Importer has to create and maintain trust
- Provide information on demand, timing, price, and product
- Pay as soon as possible to ease cash flows
- Offer support to the exporter when prices drop
- Recommend new products and,
- Become a true partner to the grower.

Government:

- Create the right climate to allow exports to expand
- Apply minimal regulatory requirements and ensure these are properly handled
- Ensure sufficient air freight capacity
- Maintain freight rates at acceptable levels for the industry as a whole
- Grant work permits for essential skills
- Make foreign currency available
- Waive duties and taxes to assist the industry
- Implement incentives
- Allow importation of new chemicals tested elsewhere and,
- Do everything possible to make the industry competitive in world markets.

Representative body:

It is essential to form a body to look after all the requirements of the industry. Major representation must come from producers, who stand the major risk, but representation is essential from government and in particular, the Ministries of Finance, Agriculture and Transport. Officials serving on the body must be in a position to take decisions and act in the interest of the industry.

Selection of crops:

Climatic conditions in each of the four countries varies from low lying hot to high altitude cool production areas capable of producing a very wide variety of crops. Final selection of crops to grow will depend on market demand, price and transport logistics. Long road and rail haul will determine which crops can be produced for export by air and when they will have to go by sea.

Production:

Horticultural development already taking place is largely on commercial farms where capital, technical skills, irrigation and transport is on hand. Development in the small scale sector has been minimal due to the lack of capital etc., and the inability of the sector to raise credit without land title. It is highly probable that given the necessary training, capital etc., the small scale sector could produce very high quality, as is happening in Kenya.

The success of the commercial farming sector in producing export crops must be utilised to develop a parallel production system in the small scale sector. Initially, the sector must produce for the local market and change to export as skills are acquired.

Urgent development of the horticultural export sector in the region is necessary. The following figures indicate the relative importance of horticulture in countries in the region:

Kenya	50,000	tonnes
Zimbabwe	14,237	tonnes
Zambia	3,000	tonnes
Tanzania	1,000	tonnes
Malawi	200	tonnes
South Africa	+/-1 million	tonnes

Transport - air

International service (air): Export by air, weekly flights, freight rates, tonnes are given in table 10.2. Zimbabwe has 15 scheduled flights (passenger) per week to London, Frankfurt and Lisbon. It is hoped that by the end of 1991, Amsterdam, Paris and Geneva will be added to the list of available destinations. Cargo flights to Amsterdam, London and Cologne as well as Brussels by the national cargo carrier and the three charter flights are also available.

Zambia is currently served by BA, Aero Zambia and UTA with flights to London and Frankfurt. In addition, the national carrier NAC flies twice weekly to London and Amsterdam.

Tanzania has 18 scheduled flights to Europe and the Middle East through Dar es Salaam, some of which also stop at Kilimanjaro. As far as air services go, Tanzania is better served than any of the four countries visited.

Malawi has services to Amsterdam, London, and Paris with five flights per week. In addition, there is a weekly service by NAC offering 20 tonne capacity.

Table 10.2 International air service comparisons

	Malawi	**Tanzania**	**Zambia**	**Zimbabwe**
FLIGHTS				
Passenger	4	17	6	15
Cargo	1	1	2	6
TOTAL	5	18	8	21
FREIGHT RATES	> 500 kg	Unlimited	Per Palet	> 1000 kg
US$/kg	1.30-1.7	0.90-1.20	1.50 (winter 1.25)	1.20 - 2.30
TONNES	32	400 Est	2642	7937

Regional services: Regional trade at this stage is very limited although air services are available significantly increase trade. Existing trade is limited to between Zimbabwe, South Africa, Angola and Mauritius and between Malawi and South Africa. In addition, Zambia has limited contact with Angola and Tanzania with Burundi.

Destinations: Traditional links between the four countries are all with the UK and it is not surprising the most of the cargo goes to this destination. Zambia and Zimbabwe, however, have built up significant flower trade with Holland and their requirements are largely met by cargo flights.

Statistics: Accuracy of statistics has to be questioned and most efforts to collect these be improved and linked to information available from the individual airlines. Major exports now taking place are from Zimbabwe and Zambia, both of whom have been in the business for only five years. Malawi and Tanzania export little air freighted cargo, but nevertheless have significant potential to export tropical, subtropical and temperate crops including fruit, vegetables and flowers.

Freight rates: Freight rates to international destinations vary considerably with Zimbabwe and Zambia the highest (see table 10.2). Rate structures in the region are considerably higher than in West Africa. These high costs have forced growers to concentrate on high value commodities such as flowers at the expense of lower value fruit and vegetables. Freight rate levels have to be set to give the airline a fair return while allowing the grower sufficient margin to be viable. A realistic return to the airline is essential to attract charters etc., to the region, without which growers could not export. The value per tonne of product produced for export must be high enough to meet the above criteria. Zimbabwe is currently receiving average prices of ZMD 8,000 per tonne CIF for produce and ZMD 11,000 for flowers. There is no doubt these values will improve as certain commodities are dropped and replaced.

Types of air services: Scheduled flights give preference to fruit and vegetables because of their heavy nature, while charter services prefer to uplift flowers at the higher freight rate. Charter operations prefer to load some heavy cargo as well, and a combination favoured in Zimbabwe is 90% flowers with 10% fruit and vegetables. The developing trend is for scheduled flights to concentrate on fruit and vegetables into London and for charters and national cargo carriers to uplift flowers to Holland. Cargo to German destinations is increasing as exporters realise this market imports 70% of all flowers sold in Holland, and efforts are made to sell direct to the end user. Air transport into any country will depend on demand, including passengers as well as cargo, and as demand increases airlinks will provide the required services. It is very much a chicken and egg situation, and if existing air services have no available cargo space, growers will produce crops in the hope that space will be made available. Cargo operators also provide services where these are required. In general, there is more cargo coming into the central southern region of Africa than flies out, and coordination is required to make maximum use of empty return flights.

National cargo carrier: Each country is dependent on its own national airline and this service must be made full use of before resorting to outside service. Landing rights in all countries are granted by the authorities who sometimes limit these to airlines who are prepared to allocate them cargo space. Government has in its power to allow in as many flights as requested by international carriers, but it also has an obligation to its own airline, and where an open sky policy is not in the national interest, these requests are turned down.

Tourism: Tourism plays a major part in deciding how many flights to allow in, and the fate of this industry is closely linked to that of horticultural exporting, as both are dependent on available air services.

Freight forwarders: A very important sector of Zimbabwe's horticultural export industry is the freight forwarder, who in addition to chartering extra cargo flights also provides cold stores at the airport. This new development is in addition to their normal services which include booking space, documentation, phytosanitary certificates and applying to government for export incentives on behalf of exporters.

Penalties: Zimbabwe has instituted a strictly controlled penalty system for growers/exporters who book space and then do not show up. Allowance of 48 to 72 hours is given for notification of cancelled bookings, and anyone who does not do this is fined the full cost of his cargo space. This tough measure has brought a large degree of responsibility into the industry and firm plans and charter bookings can now be made with confidence.

Positive points starting to emerge in air transport include the following:

- Full use of scheduled cargo capacity
- 75 to 90% total capacity utilisation of cargo flights

- Realisation of the importance of cold chain and cold store facilities at airports
- The role played by freight forwarders
- Responsible approach by all sectors
- Full government support
- Growers building their own facilities inside airport perimeters.

Transport – sea:

Sea freight offers growers the opportunity to export horticultural crops in large quantities at lower cost. Whilst fruit is the main sea-freighted crop, the list can be greatly extended if "controlled atmosphere containers" or the latest concept known as "modified atmosphere packaging" are utilised.

Location of production areas and the distance from port will determine whether exporting by sea is viable or not. The availability of road and rail refrigerated transport is considered essential if quality is to be maintained. However, it is possible to transport citrus up to a week without refrigeration. Present routes through Mozambique are seriously affected by pilferage and theft, with extraordinary precautions having to be taken. Zimbabwe in 1990 suffered losses of USD 3.4 million due to theft of sugar while en route to Maputo, while Swaziland has re-routed its sugar exports through Richards Bay in South Africa for the same reason.

Crops which are considered suitable for export by sea are citrus, deciduous fruit, sub-tropical fruit, pineapples and bananas, all of which are moved in considerable quantities. FOB prices for sea-freighted crops are in many instances the same as if the product was air-freighted, due to the longer time in transport. Pineapples ex Dar es Salaam give the same FOB price for both air freight and sea freight.

Handling:

Horticultural exports from Africa to EC markets have to compete with high quality products from around the world, many of which are produced in developed countries under modern cultural methods and strict quality control. Quality depends on a combination of field management, post-harvest handling and an efficient transport system from field to market. Quality coming out of the field cannot be improved on, but only maintained, and it is essential in the first instance to produce high quality products.

Field production of high quality products is dependent on the correct selection of seed and variety, spacings, fertilisation, insect and disease control and time of harvest. Post-harvest handling involves reaping under correct conditions, including cutting correctly from the plant, placing into containers that will not damage the product, reaping when temperatures are low and reaping two or three times a day to ensure the product is harvested at the ideal stage. Having reaped correctly, products have to enter the cold chain - be refrigerated as soon as possible and remain so until they are bought by the customer in the retail outlet.

To ensure the most efficient cold chain conditions, products must be reduced in temperature to the ideal for the product as soon as possible. Every farm must have its own cold store complex, and so must the airport where the produce is delivered before export. Some cold chains are more complicated than others. The most sophisticated should have separate intake and dispatch cold stores, with the central grading and packing area also having refrigeration or being subjected to lower temperatures. Time taken for grading and packing must be kept at a minimum to prevent products increasing in temperature during this process. The more sophisticated grading sheds allow for the product to be packed into the airline containers in the dispatch cold store, and the containers being transported to the airport. This process reduces handling considerably and allows the exporter to pack carefully with minimal damage and discolouration to the boxes. A wide variation from the ideal handling system is found in different countries. Whilst Zimbabwe makes the most use of cold stores and suitable transport, one exporter in Tanzania does not have a cold store on the farm, and the first refrigeration takes place at the airport. The importance of refrigeration is widely known. Cold stores are available at all the main airports, apart from Lusaka where the growers are building their own facility. Zimbabwe has the most sophisticated cold stores with several being available, both at the airport and in Harare itself. Plans are developed in Zimbabwe to construct a very modern large cargo terminal which will provide the most modern facilities for horticulture.

In Zimbabwe, freight forwarders play a very significant role in handling exports and maintaining storage under ideal conditions until loading. Several have their own cold stores and handling complexes. In addition, freight forwarders charter flights and compete on freight rates with the national carrier.

Handling of crops for the local market is a major feature of marketing in Zimbabwe. Apples, pears and citrus are stored on farm and by wholesalers, to maintain prices. These crops are stored for three to four months and sold during high price periods. Onions are also stored for up to 5 months for the same reason, but this is only done by the larger producers.

The very significant awareness of quality, and particularly post-harvest handling in Zimbabwe, is due to regular seminars being held with international speakers from USA, Europe and South Africa addressing these meetings. Zimbabwe growers also travel regularly investigating the markets and discussing requirements with their importers. Regular contact cannot be over-stressed.

The high cost of transport in some producing countries can significantly affect the viability of a horticultural export industry. In order for a new industry to survive and develop, very careful consideration must be given to product selection and presentation. Products requiring high capital investment and specialized technical skills are normally in short supply and at high prices, while others which can be produced more easily tend to be over supplied and low priced. High prices can also be achieved by pre-packing and semi-processing at source. Demand is increasingly swinging towards well presented pre-packed products. Attention must be paid to semi-processed products such as vegetables and fruit salads pre-packed at source. These developments, in addition to realising higher prices, can significantly reduce air transport costs by making better use of available air space.

Maximising pre-packing in farm pack-houses. The value per tonne of exports from Zimbabwe of both fruit and vegetables and flowers has increased considerably by selecting the high value lines and varieties and excluding others. In addition, more importance is being placed on value added by

Mangetout prices can be increased by up to one pound sterling by pre-packing instead of selling in 2.5 kg boxes. Likewise, a switch from summer flowers to roses has increased the value per tonne considerably. Indications are that Zambia in particular is following this trend, while recent developments in Malawi could lead to export of pre-packed products to supermarkets.

Importers:

Following recent bankruptcies of importers in Europe, as a result of which exporters lost a lot of money, it is now more essential than ever for exporters to know who they are dealing with. Records and reputations of importers are well known in the industry and exporters must make enquiries before entering into firm commitments worth hundreds and thousands of dollars.

Payment terms are important in that some imports take 3 to 4 months to pay while others make part payments immediately on shipping with the balance paid 2 to 4 weeks later, after sale.

Recent trends between importers and exporters is towards establishing long term partnerships or understandings for the benefit of both parties. Importers require high quality products on a continuous basis and are prepared to assist growers to achieve this. On the other hand, growers want reliable outlets who will supply all the necessary market information, etc.

This example concludes this section on distribution. Along with price, distribution forms a major element in international marketing and the detail is essential if success is to be guaranteed

International marketing research:

International Market Research is a particular discipline of Market Research, focusing on certain geographical areas.

International Market Research is concerned with consumer goods, but also with any resource or service within a value chain which will be commercially utilised or further processed – which is the area of industrial goods and B2B-Marketing.

International market research projects may have various objectives and purposes.

Classical market research very often covers cross-country issues. Same question, but being raised internationally. This may however lead to differing answers from country to country – due to historical or cultural reasons. This implies that country-specific answers will also lead to internationally differing marketing decision.

Research topics usually include the following aspects:

- development of customer needs and customer desires
- customer´s perception of the company, compared to competitor companies

- performance and adequacy of marketing tools such as product and services, branding, direct sales and distribution channels, communications including internet marketing, pricing – all this being challenged by standardisation ("world product") or country-specific features (local speciality).
- marketing innovation: new business models and billing schemes, new variations of marketing tools, new technology applications
- service quality of business relations between customers and sales persons or service technicians, to be examined by mystery shopping
- openness for and acceptance of new technology applications

Strategic projects within international corporate planning and globalisation affect a firm's *New Business Development*.

These projects may include very differing objectives, for instance:

- evaluation and selection of target markets – e.g. examining market potentials, market attractiveness, market barriers, intensity of competition, sales channels, customer segments and others more
- preparations for new sales market entry – e.g. profiling and prioritising of prospective customers, providing short lists of target customers "turn-key"-ready for sales managers, short lists of resellers, distributors, intermediaries, and logistics or other service facilities
- procurement out of new vendors – e.g. profiling, evaluation and selection of suppliers, clarification of detail questions such as transportation, custom duties, payment procedures, and others more
- shift of production – e.g. country comparison, execution of feasibility studies, later research for manufacturers, suppliers, manufacturing facilities, personnel and others more.
- Take-over of competitors in target markets, again creation of long and short lists, profiling, contacting, negotiating, due diligence and others more.

All these examples mean that accurate, complete, and up-dated pieces of information are delivered to come to sound decisions.

Usually, there is a clear geographical focus on specific country markets.

Why is International Market Research so important ?

International Market Research shall identify new business opportunities and help assure a so-called area strategy which defines which geographical hemisphere needs to be covered.

Generelly, market research intends to provide new ideas, comparisons, and control information for marketing deciders. These deciders are found not only in Marketing and Sales, Import and Export positions, but also in New Business Development, in a Strategy staff, in Corporate Planning departments and of course, within top management.

International Market Research provides an information base for strategic decisions. Here, competitive information needs to be available early, fastly, and with the right filter.

What needs to be considered when executing International Market Research?

Strategic decision-making requires an outstandingly high quality information base.

Therefore, international market research projects have to consider the following:

- globalization experts are featured by product and industry knowledge, industry-specific experiences, methodological know-how like research methods, information access (e.g. to specialising commercial data bases), reputation (e.g. experts with door-opener-quality) and international experience, language skills, and others more
- Competitive information needs the right focus, but also needs to be provided fastly, and early enough in order to be effective.
- information should be retrieved exclusively for your company – if all the industry enjoys the information there will not be any competitive gain
- Procurement of information may be done by internal staff ("make", e.g. sales force, internal research department), but also by such type of external market intelligence specialist who are working in the international field.

18. CONCLUSION

The human mind is trained to find patterns. As researchers, we like to find patterns. Clients like patterns. The great dilemma of marketing research is that patterns in data have two distinct causes. The first is that the patterns reflect real world phenomena of interest to our clients. The second cause of patterns is the research process. The smaller the sample size, the more likely that any pattern observed in data will reflect random variation in the characteristics of samples drawn from populations, regardless of whether the research is characterised as qualitative or quantitative. We should be mindful of this when presenting findings.

Researchers have long been mindful of the role of sample size when presenting the results of quantitative research. Even when quantitative studies have sample sizes in the thousands it is commonplace to indicate where there is limited 'confidence' in the results, such as through the provision of p-values and confidence intervals. When the sample size for a subgroup of interest is small – typically less than 30, 50 or 100, depending upon the researcher – it is common practice either not to present the data or to present it with appropriate caveats. We have identified four types of conclusion that may be drawn from small samples without the need to place caveats on the findings. In instances where results from small samples are presented, but are not consistent with the principles presented here, researchers have an ethical responsibility to inform clients of the limitations of the findings. A blanket caveat, such as 'of course, these results are qualitative', is not sufficient, as there are numerous findings that can be confidently made using small samples. To discuss whether all of the findings of qualitative research are or are not justified due to sampling considerations misses the point; as with quantitative research, in any qualitative study some of the conclusions may be drawn with greater confidence than others.

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