



# UNIT

## 4

### Contents

#### Chapter I

- 1) Introduction
- 2) What is Marketing?
- 3) Relevance of Marketing
- 4) Selling and Marketing
- 5) Marketing Mix
- 6) Value Chain Concept

**The aim of this chapter is to:**

- Explain the marketing concept and relevance of marketing in the present context

**Objectives:**

On completion of this chapter, you will be able to:

- understand the marketing concept
- differentiate marketing from selling
- recognise the relevance of marketing for an enterprise
- acquaint oneself with the concept of value addition



## Introduction

For an entrepreneur it is important to understand what is marketing, how it is being practiced, how it works and what should be done to succeed in marketing for a business.

In the present time no single business can succeed without putting sincere and adequate emphasis on the task of marketing. One can manufacture excellent product, product which conforms to the highest standards of quality, durability and reliability, but it may not suffice. An entrepreneur would get return of his/her investment once the product or service he/she is offering in the market is sold at the desired time and expected price. There are examples when a business starts manufacturing product with the expectation that quality itself would ensure the market; however, in reality, that may not happen ever. Manufacturing quality product is important and equally important is putting adequate emphasis on the activity of marketing and putting in place a well thought-out marketing strategy. It is therefore imperative that an entrepreneur understands the significance of marketing and devote adequate time in training his team on marketing and putting a marketing strategy in place.

## Marketing:

There are many definitions of marketing; some of which focus on the social aspects of marketing and others emphasise on the management aspect. Before dealing with the definition part, it would not be a bad idea to discuss other pertinent issues like demand, market place, exchange and transaction.

For a marketer it is important to understand the target markets requirements; requirements which addresses the need, want and demand of the customers. The *needs* are the basic human requirements. People need food, drinks, air, clothing and these are often termed as basic needs. The need is then translated into *want*. For example a hungry person may want rice, 'roti', burger or pizza to satisfy his/her hunger. The selection of the product here would depend on the socio-economic status of the person. Thus need is converted into want and people start searching for different products to satisfy his/her want. But for a marketer what is more important is *demand* which is often equated with want plus purchasing power.

### **'Demand' = 'Want' backed by 'Purchasing Power'**

A person desiring to possess a four wheeler would ultimately settle for Alto or Getz or Mercedes would depend on his social status and his/her purchasing power. Therefore, need and want are important but what is more important is the demand for the product or services. Before taking a production or manufacturing decision it is crucial to understand the demand of the customers. This signifies the relevance of conducting market survey for a new or existing business. One should understand the demand of the customers or market demand and then select the product for manufacturing. Different section of the society has different purchasing power and it is therefore important to manufacture different products to satisfy the requirements of the different customers and thus justifying the need of market segmentation.

Exchange and transaction are the necessary condition for marketing to take place. *Exchange* is the process of obtaining a product or service from someone by offering something in return. If



for the time being we relegate the concept of barter system wherein products are exchanged against products, then in all exchange there is monetary involvement. Customers purchase a product from a store by paying the price for it. The exchange will actually take place or not would depend whether both the parties arrive at a mutually agreeable terms and conditions. When an agreement is reached and both parties exchange their objects (product/service vis-à-vis money) we say *transaction* take place.

*Market place* is the place where transaction takes place. For example people purchase vegetable from the vendor in the vegetable market; they can purchase same products from 'Reliance Fresh' or other branded stores. In the present world, transaction can take place in the virtual world too. By using internet people purchase products from the supplier by paying through credit card. Therefore, it is not necessary that transaction would take place in a physical market place only.

### Defining Marketing?

Having understood need, want, demand, exchange, transaction we could now discuss the definition of Marketing. One of the most popular definitions of marketing is;

“Marketing is a process through which individuals and groups obtain what they need and want through creating and exchanging products and value with others.”

Marketing is not considered a single activity; in fact it a process which consists of a range or series of activities. In common parlance, marketing is often equated with selling though in reality marketing is much more than selling. We will delve with this topic in a greater detail subsequently. Marketing helps people satisfy their requirements and this is done once products/services are transacted in the market. *Customer* is the most important person for a marketer and he/she should do 'everything' to satisfy the requirements of the customers. A satisfied customer can generate future business through referrals; on the contrary a dissatisfied customer can ruin the prospects of marketing.

### Selling and Marketing

Most persons think that selling and buying of goods and services in exchange of money is all about marketing. However, this is a very narrow view of defining marketing. In fact, there are three major facets of the concept. In the first approach major emphasis is put on production; whatever is produced needs to be sold. It is known as ***production-driven approach***. It would work when there is a general scarcity of goods and services. And the key function of the producer would be to make goods available to the consumers at affordable prices. The second approach is ***sales-driven approach***, in which, potential customers are lured into buying by aggressive promotion and attractive offers. Here the emphasis is on pushing the product into consumers' mind. The third and the most important approach is the ***consumer-driven approach***, in which customers are kept in prime focus, their needs and requirements are considered before taken up any production decision. This is the consumer-driven approach that would last in the long-run. This is what one needs to learn to succeed in the competitive world. In other words, this can be called the right marketing approach.



Selling is only one aspect of marketing and in the words of Peter Drucker, leading management practitioners;

*“There will always, one can assume, be need for some selling. But 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. All that should be needed then is to make the product or service available.”*

The marketing concept emerged in 1950s. From product-centric approach i.e., ‘make and sell’ approach the focus has shifted to customer centric ‘sense and respond’ approach. The focus was no more on finding out right customers, instead producing right product for the customers/consumers. Here the consumers took the centre stage than manufacturer or seller. The ultimate objective is to satisfy the customers. Therefore, to begin with, one must understand that marketing is not just selling but much more.

One needs to treat marketing as a system of conducting business that includes product planning, deciding the pricing, promotion and distribution of goods and services. Various forces and factors are affecting the marketing performance of an enterprise; their intensity has increased especially in the recent years. Entrepreneurs need to re-look their marketing approach and how to cope with the changing marketing environment. Today’s marketers are increasingly recognising the need to have a more comprehensive and cohesive approach towards marketing.

### **Case of Nirma Washing Powder**

The introduction of Nirma washing powder, changed the complexion of the detergent powder market in India. The brand was not initially promoted. Sales increased because of attractive value proposition—a detergent that performed the basic function of cleaning at a price affordable to even low-income families. The attractive "value for money" (VFM) proposition, supported by distribution thrust word-of-mouth publicity increased demand during the initial period of the brand's introduction. Later on, the company initiated extensive media coverage of the brand. Nirma's memorable jingle, "doodh si safedi Nirma se aaye, rangeen kapde bhi khil khil jaaye, sabki pasand Nirma" has helped the brand become one of the most popular brands in the country. The company kept on using the same jingle years together, making the tune an integral part of the brand. Today, Nirma is a well-established brand. The company has introduced several other products in the fast moving consumer goods (FMCG) category under the same brand. The company has done backward integration by setting up facilities to manufacture chemicals used in the detergent industry. The success of Nirma is one of the most interesting cases in India, and Karsanbhai Patel, who pioneered it, has inspired many entrepreneurs in the country.

### **Marketing Mix:**

Marketing activities are manifested in various forms, one of which is presented in the form of marketing mix. This is defined as a set of tools that an enterprise pursue to fulfil it’s marketing dream. McCarthy classified these tools into four broad groups which otherwise is called 4 P’s in marketing; product, price, place and promotion.



Marketing mix is the tool by which one could strategically position his/her products in the market. The positioning is based on differentiation, i.e. how one's products are more attractive than others for a particular customer segment that includes features like product, performance, quality, durability, reliability, style, design, packaging, etc. These factors are grouped and are popularly known as 4 'Ps' in marketing:

- i. Product (or service) – it's quality, presentation, packaging, varieties, design, colours, styles, contents, etc.
- ii. Price – deciding the market price, discounts, offering credit terms, etc.
- iii. Place – where the product is generally bought, transacted, the way it is delivered & distributed, distribution channels members, transportation, sanitation & hygiene condition, etc.
- iv. Promotion – advertising, publicity, personal selling, participating in exhibitions, mailing, etc.

4 Ps of MARKETING	
<i>Product</i>	<i>Place</i>
Better performance	Point of Sales
Improved quality	Better furnishing
Bigger quantities	Better decoration
Better finish	Different location
Attractive packaging	Distribution channel
Better labels	Home Delivery
Attractive colours	Better sanitation
Attractive contours	
Mind-captivating brand	
<i>Promotion</i>	<i>Price</i>
Advertising	Competitive pricing
Personal selling	Credit terms
Sales promotion	Special offers
Publicity	Quantity discounts
Visual merchandising	Cash discounts

Added to these are a few more Ps or factors that have also assumed importance. These include: People (understanding customers), Packaging (making the product more attractive to buyers), Partnership (such as strategic alliances and distribution/marketing channels), Positioning related to geographical niche.



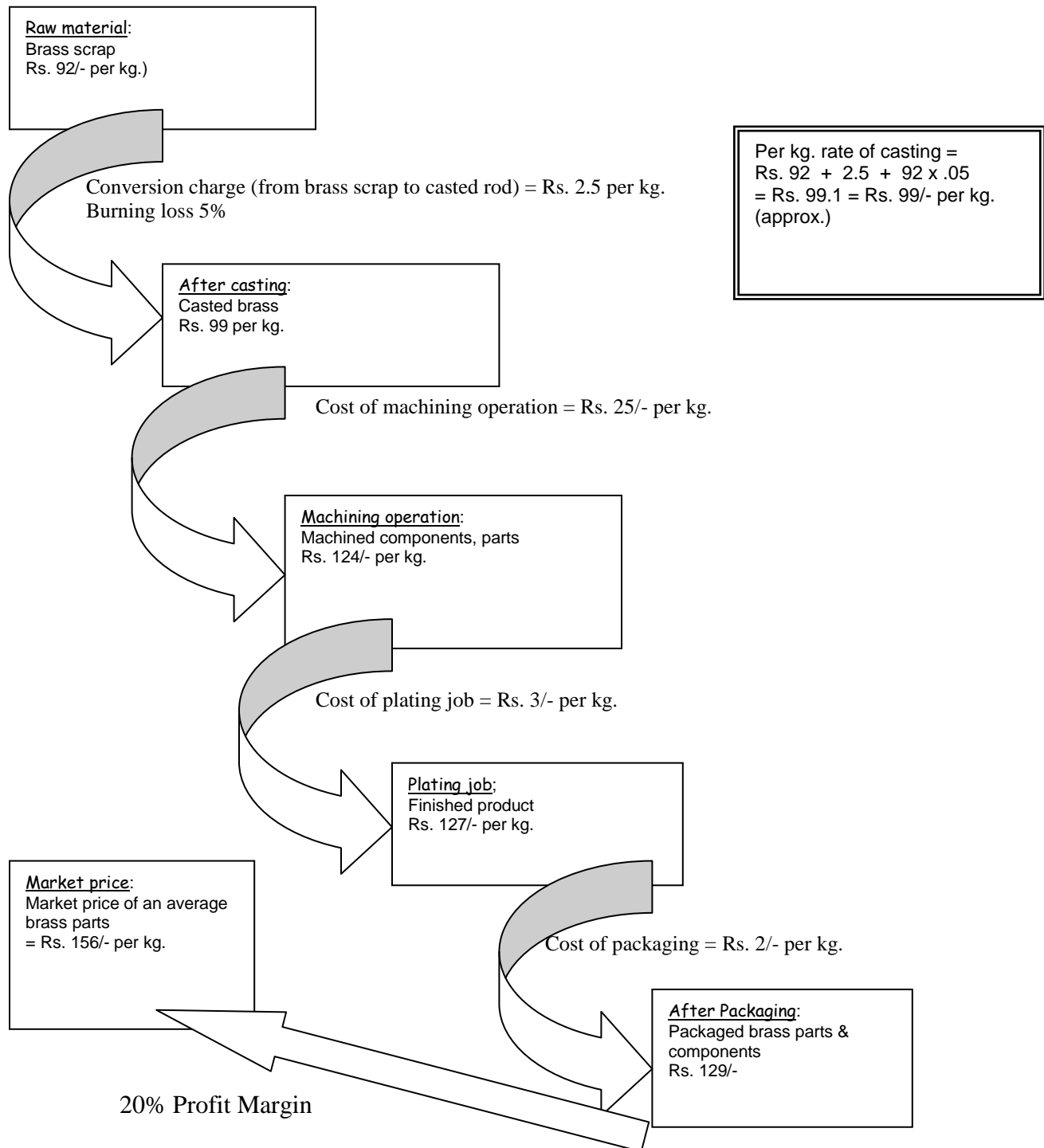
Marketing mix decision must be made for influencing the marketing channels and the final customers. An enterprise could select a particular product, quality, price and promotion strategy to target its customers in the select market. The selection of a particular marketing mix would depend on the product's customer segment, target market etc. An enterprise could change its sales force, promotion tools in the short run and develop new products and change channels of attractiveness, distribution in the long run.

One should be able to offer quality services to the customers. What matters most is the customers' satisfaction. Selling product for the first time may not ensure repeat sales. One should, instead, try to build brand image. To remain market leader, one must also properly handle distribution logistics so that customers could access the product timely. Besides one must remember to communicate the Unique Selling Point (USP) of a product. Keeping this in mind one should finalise an apt promotional strategy and the medium.

### **Value Chain Concept:**

Every productive activity in an enterprise is supposed to add value to the business. Starting from raw material sourcing to manufacturing, quality control, designing inventory control, packaging, transportation, distribution etc to add different quantum of value. This value is translated in terms of customers' perception about the product/ services and the amount of utility he/she is attaching to this product. Accordingly, different products hold different value perception in the minds of the customers. The customers are therefore willing to pay different price to different products based on their expected value proposition. The following diagram depicts the value chain of a typical manufacturing enterprise.

## Value Chain Diagram Of Brass Parts Manufacturing



The reason for discussing value chain in the context of marketing is that one should try to offer better value proposition while offering product/services to the customers. One should always explore the possibility of offering higher value realisation which is otherwise called value addition. The underlining rationale is that higher is the value addition better is the possibility of



marketing. A product which has higher value added could obviously fetch better price in the market. For example; ‘Dove’ offers a better value proposition compared to regular soap brands. It is promoted as a soap with added moisturiser and thus the customers attach higher value with ‘Dove’ and are willing to pay extra price for owning it.

While analysing value chain of a product or service it is customary to compare its value proposition with the benchmark product/service in the industry. In doing so one will be able to understand the value difference in different stages of manufacturing and marketing. This will ultimately help in understanding the scope and areas where higher value addition is possible.

For becoming successful, an enterprise looks for competitive advantage beyond its own operations, in the value proposition of raw material suppliers and distribution channel members. Many a times an enterprise partner with different stakeholders to offer an attractive value delivery network otherwise called the *supply chain*.

#### SAQ 1.1

- a) What are the different approaches in Marketing?
- b) How Marketing is different than Selling?
- c) Explain the different Marketing-mix.
- d) Explain the relevance of value chain concept in Marketing.





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### Contents

#### Chapter II

1. Introduction
2. Mass Marketing
3. What is Market Segmentation?
4. Ways of segmenting a market
5. What is Market Targeting?
6. Market Positioning

**The aim of this chapter is to:**

- explain the requirements for doing market segmentation, targeting and positioning

**Objectives:**

On completion of this chapter, you will be able to:

- to understand the need of doing market segmentation
- to realise different ways of segmenting a market
- to understand how to choose the target market
- acquaint oneself with the concept of market positioning



## Introduction

Here it would not be a bad idea to gradually introduce the topic of market segmentation starting from the concept of mass marketing. People still remember Henry Ford's famous quote "Any customer can have a car painted any colour he wants so long as it is black." That is a classic example of *mass marketing* where one common product is manufactured to target en-mass without appreciating the diverse requirements of the customers. The product had unique price tag, it was sold through traditional marketing channels and a common promotion slogan was developed to appeal the customers.

But that was a producer driven economy wherein producers were the boss, they were enjoying monopolistic market condition and the customers had a limited choice basket. Owning a car was then a status symbol and the customers relished the possession experience. One of the strongest rationale for resorting to mass marketing is that by doing so one can economise per unit cost of production. That is why the economies of scale was so popular those days.

However in the today's customer driven market where there are large number of producers of same and similar products and different customers have different liking, their tastes and preferences also changes over a period of time, one can hardly rely on mass marketing. What is needed now is offering differentiated product to different customers that is the starting point for market segmentation.

## Market Segmentation:

A *market segment* comprised of a group of customers who exhibit similar tastes and preferences. Otherwise it is a subgroup of people exhibiting same characteristics that cause them to have similar product needs. Thus one could distinguish soap users; one who would prefer regular soaps which is good in fragrance, last long and not-so-costly. The cleansing characteristic in a soap is the most important factor for them. The other category of skin-conscious, fashion conscious affluent customers may not remain satisfied with the fragrance or cleansing characteristics, they could look for other features like skin care, softening, moisturising effect, overall feeling etc. Thus it is quite obvious that a smart marketer would offer different products to satisfy different customers groups.

The *market segmentation* is the process of dividing a market into relatively smaller, homogeneous, meaningful and identifiable sub-groups. The objective is to enable the marketer to tailor marketing mixes so as to meet the requirements of specific segments. Since market segment differ in size and potential, segmentation helps decision makers define marketing objectives more accurately and ensure better allocation of resources. Thus market segmentation plays an important marketing strategy of a successful enterprise and is a powerful marketing tool.

The job of the marketer is not to create the segment but to identify the segment and decide which one to target. While adopting segmentation approach an enterprise can customise its products, price, packaging, delivery norm etc. It can accordingly decide its distribution channel, promotion strategy and media. The enterprise can prune up its marketing programme to satisfy customers in the target market.



### **Segmentation Criteria:**

Market segmentation has several benefits. It enables marketers to identify customer groups with almost identical needs and requirements and analyse buying behaviours of these groups. It acts as an information base for marketers to design marketing mixes specifically matching the characteristics of the identified market segment. Moreover, segmentation is consistent with the prime objective of satisfying customers while meeting the enterprise's objective. There are four basic criteria which should be kept in mind while doing market segmentation.

1. **Measurability**- the degree to which the size and purchasing power of the segments can be measured
2. **Accessibility**- the degree to which the segments can be reached and served
3. **Substantiality**- the degree to which the segments are large or profitable enough
4. **Actionability**- the degree to which effective programmes can be designed for attracting and serving the segments

***Measurability:*** A segment must be identifiable and their size should be measurable. Statistical data related to population within identified geographic boundaries, number of people in different age groups, other social and demographic characteristics are easy to get and provide a concrete measure of the segment size.

***Accessibility:*** Accessibility is an important criteria in market segmentation. An enterprise should be able to reach out to customers in the target segment with customised marketing programme. Some market segments are difficult to reach and others are easy reachable. Therefore, the marketer has to take a decision where to reach and where not to.

***Sustainability:*** This criteria measures whether a particular market segment is large enough to warrant developing and maintaining a special marketing programme. An estimation about the number of potential customers in the target market, their willingness to purchase the select product, prospect of retaining those customers in the long run needs to be evaluated before selecting a particular segment.



**Actionability:** Actionability is an important criteria in market segmentation process. It measures the degree to which effective programme can be designed and implemented to server customers in a particular target market.

### **Basis of Segmentation:**

Segmentation is done on the basis of certain variables which represent the characteristics of the individuals, groups. The selection of segmentation bases is important as an inappropriate segmentation strategy my lead to lost marketing opportunity. The crucial point here is to identify bases that would provide substantial, measurable and accessible segments that exhibit different response patterns to marketing mixes. The following bases could be considered for segmenting a market.

1. Geographic segmentation: area, region, rural-urban
2. Demographic segmentation: age, income group, sex
3. Psychographic segmentation - Life style, personality

*Geographic segmentation* is about dividing the market into different geographic units such as rural, urban, states and region. Geographic segmentation assumes importance due to variations in consumer preferences and purchase habits in different places. One of the common segmentation process is diving the market into rural and urban areas. Differences in rural and urban markets, based on different criteria including market potential, have major implication for a marketer. There are more than 5000 towns and around 6.5 lac villages in India. If one targets more than 2000 population villages in the country he/she will be covering about 85% of the rural population. The size of the area, population distribution etc. needs to be considered while doing geographic segmentation.

While doing *demographic segmentation* one can divide the market on the basis of age, gender, income level, family size, education, etc. There are reasons for adopting these demographic variables to distinguish customer groups in a market. It is a matter of fact that consumer needs, wants, buying behaviours, product, brand preferences are often associated with demographic variables. Moreover, demographic variables are easier to measure.

In *psychographic segmentation* consumers are divided into different groups on the basis of traits like personality, motives, lifestyle, values etc. The rationale for adopting psychographic segmentation is that people within the same geographic and demographic group can exhibit different psychographic profile. Education, life styles and value can significantly affect the brand choices of customers. Titan wristwatch has wide range of sub-brands like Edge, Regalia, Nebula etc. to attract different lifestyle customers. Moreover, their fastrack brand is for youth and sonata is especially targeted to customers in the rural and semi-urban market.

On the basis of above-mentioned segmentation criteria an enterprise can create a profile of its target while considering the following factors;

### **Profile of the Market:**

- ☐ Population of the market segment
- ☐ Percentage of population (in the identified market segment) expected to buy your product
- ☐ Purchasing power of the people
- ☐ Products attractiveness to the consumers



- ❑ Usage pattern- frequency of use
- ❑ Availability of competitive products
- ❑ Quality and price of your products vis-à-vis your competitors products
- ❑ Customers perception about the quality and price of your products
- ❑ Remoteness of the market

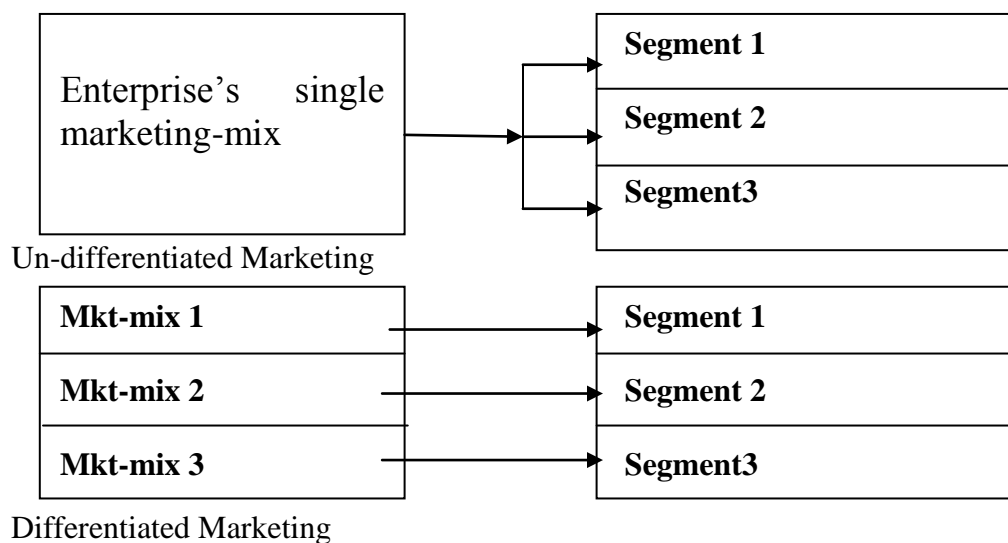
### Market Targeting:

Once an enterprise identify its market segment options, it has to decide how many and which one to target. Marketers are increasingly mixing and evaluating several variables in an effort to identify smaller, better defined target markets. In evaluating different market segment opportunities, an enterprise can look at two factors; the overall attractiveness of the segment and the enterprise's capability and resources. How well does a potential segment score in terms of attractiveness, profitability, positioning etc. Does investing in a particular segment makes sense in terms of long term prospects, growth and profitability.

After evaluating different segment an enterprise can finalise its target market. A target market is a group of people for which an enterprise designs, implements and maintain a typical marketing-mix. Because majority of the markets include customers with different income group, tastes, and lifestyles it is unlikely that a single marketing mix would serve the purpose. Thus the target market is the specific market segment which is most likely to purchase the product.

There could be two market targeting strategy for an enterprise; undifferentiated marketing strategy and differentiated marketing strategy. Under undifferentiated marketing, an enterprise ignores differences in segments and goes after the entire market with one offer. It designs and implement a marketing programme to appeal largest number of buyers and relies on mass promotion. An enterprise which adopts an undifferentiated marketing strategy assumes that individual customers have similar requirements and that can be met with a common marketing-mix. This is basically other way of pursuing mass marketing.

In differentiated marketing, an enterprise operates in several market segments and designs and offer different products for each segment. Maruti one of the largest car manufacturing company in India, offers variety of models and brand variants to cater to the requirements of diverse customers. Through brands like omni, alto, wagon R, swift, esteem, SX4 the company offers a wide range of cars appealing customers of different market segments.





## Market Positioning:

The decision of developing and offering a particular marketing-mix would depend on positioning, a process that influences potential customers' overall perception of a brand. Position is the place of a product or service brand that occupies in the consumers' mind relative to competing products. Positioning is the process of designing the enterprise's offering and image to occupy a distinctive place in the customers' mind so as to maximise potential benefit to the enterprise. Positioning assumes that customers compare products (vis-à-vis competing products) on the basis of important characteristics or features. Promotional effort that highlight on irrelevant features is therefore likely to misfire. Effective positioning requires assessing the positions held by competing products, brands, evaluating the important dimensions underlining those positions and choosing a position in the market where the enterprise's marketing effort will witness greatest impact. The result of good positioning is the successful creation of a customer focused value proposition, a palpable reason why target market would buy the product. Tata motors offered an attractive value proposition by highlighting more space without extra cost in its Indica. Therefore 'more car per car' an attractive slogan propagated by the company created a distinct market positioning.

### SAQ 2.1

- a) Explain the significance of Market Segmentation
- b) What could be the basis of Segmenting a market?
- c) What is the difference between differentiated marketing and un-differentiated marketing?
- d) How to Position one's product in the market?



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## 4

### Contents

#### Chapter III

1. Introduction
2. Why Marketing Research
3. Benefits of Marketing Research
4. Steps in Marketing Research
5. Information Requirements of Marketing Research

**The aim of this chapter is to:**

- explain the need and coverage of market study and its analysis

**Objectives:**

On completion of this chapter, you will be able to:

- to know the importance of marketing research
- list the benefits of marketing research
- recognise the dimensions of marketing research
- acquaint oneself with information requirement for marketing research
- acquaint oneself with sources of information for marketing research



## Introduction

In an increasingly competitive world of business, it is very risky for an entrepreneur to start production activities based on the subjective assessment of the market, such as ‘a good market potential’, which is based more on the optimism of an enthusiastic and motivated individual rather than the businessman-like behaviour of a entrepreneur. What is more important for the entrepreneur is to convert his intuition or judgement of the market into quantifiable figures (discrete numbers) of the various dimensions of the market and then make a realistic estimation of the market she/he is going to satisfy and plan her/his business efforts accordingly. An entrepreneur on the basis of own experience, knowledge and optimism may sometimes be carried away by the idea of the venture and ‘a good market potential’ and might ignore some business realities over which she /he might not have any control and which might put her/him in difficulties once the venture is started. This is true not only for a first generation entrepreneur but also for an existing entrepreneur who wants to launch a new product or enter a new market. Therefore it is incumbent upon the entrepreneur to do a proper market research – the collection and analysis of relevant data and information about the market environment in a systematic and planned manner, to understand the impact of various factors that might affect the performance and success of the business venture.

While conducting a market research, you needs many different kinds of data and information which are usually oriented towards determining the needs and wants of the end users of the new product/service or for devising the most appropriate methods of reaching the target customer group at the right place, at the right time and with the right price. The information requirements are also many and varied and one might be inundated with data and information which might not be relevant for the project at hand. Therefore, the objectives of the marketing research should be judiciously determined to derive the maximum benefit out of the process before going for data collection. Nevertheless, some of the basic questions you need to answer in any market research would be:

### Some of the questions

### How they can be answered

Who are (or will be my customers)?.....	Segmenting the market into distinct homogeneous sub-groups which might exhibit similar behaviour as far as the product / service needs are concerned.
What do they buy?.....	Study of comparative products, substitutes and complimentary products.
Why do they buy?.....	The benefits derived and the expectations of the customer from the product / service.
How do they buy?.....	The basis of purchase behaviour, planned or impulsive.
Where do they buy?.....	The logical requirements and the availability of the product/service, the existing trade practices if any etc.





## **Benefits of Marketing Research**

1. It helps in taking decisions based on objective data, gathered systematically, rather than on intuition.
2. It helps in understanding the composition of the market and market players.
3. It helps in designing the effective marketing mix like product, price, promotion and place for the target customer segment.
4. It helps in estimating the market size and take appropriate production decisions.
5. It enables one to understand the long term viability of the proposed project by arriving at a year to year estimate of sales.
6. It provides with preliminary information and insight in order to design business strategy and the right marketing programme.

## **Steps in Marketing Research**

1. Setting the objective of Marketing Research
2. Planning the Research design
  - a. Secondary data study
  - b. Primary data study
    - i. Through Survey
    - ii. Through Observation
    - iii. Through Experience
3. Collection and analysis of the data
  - a. Editing collected data
  - b. Coding
  - c. Analyzing the data
  - d. Interpretation
4. Conclusion and Preparing the Research report
  - a. Detailed report
  - b. Summary report

## **Setting the marketing research objective**

Usually, the search for new information begins with a problem. Typically, an entrepreneur has difficulty in arriving at a decision regarding the scale of operations for his/her venture. The problem is in the estimation of the size of the market. In another case, a toy maker who has designed a fabulous new device might face the problem of determining which production technology would be suitable for production of his/her device, what are the trade practices of the toy industry, what age group would most likely to want the toy or which advertising media are the best to promote the product and so on. The former is a case of demand estimation while the later is a case of production and marketing related issues. The similarity of information needs for the above cases would be related to marketing area, while in latter cases additional information in terms of production technology would be required, which might be not be of use in the first case. Therefore it is very important for a market researcher to understand the market research problem and set the research objectives accordingly.



## Planning the research design

The research design is the master plan that identifies the specific techniques and procedures that will be used to collect and analyse the data. The first step in planning the research design is to check if the data has already been gathered by others, which we call the secondary data or whether primary research is required. Primary data are the original data collected for the study at hand and for which no data exists. It is usually carried out through surveys, which can be a census survey or a sample survey. In census survey, data is collected from the whole of the population while in a sample survey, data is gathered systematically from a sample of people by means of a questionnaire.

## Collecting and analysing the data

Once the research objectives have been defined and the research design chosen, the process of actual data collection or field work starts. This is followed by data processing which calls for editing, in which the data collection instruments (like questionnaire) are checked for omissions, completeness, unusable response and other inconsistencies. Editing is followed by coding during which the collected data are grouped into meaningful categories. The edited and codified data are then used for data analysis.

## Conclusion and Preparing the research report

The end result of the marketing research is to help you, the entrepreneur in taking objective and meaningful decision. Therefore the findings of the study can be provided in a summarized form, which briefs the results of the study or in details if it is warranted.

## Information Requirement(s) for Marketing Research

Many entrepreneurs are content with findings which tell them about demand-supply position - present and future. This is not enough. You need to learn a lot more. Exhibit 1.1 lists 32 points on which information must be sought.

### Exhibit 1.1

#### Information Needs

**Product and Segments** Market segment means the group of customers classified in terms of geographical area, income group, or sex or age or any other criteria. For example, Ahmedabad, middle income group, in the age group of 25 to 40 etc.

1. **Product Description:** State clearly statutory or recommended or assumed specifications in vogue and the precise specifications of your proposed product.
2. **Specific uses of the product:** Exclude uses which may not be possible on account of specifications of the proposed product. Enumerate uses, which may not be in vogue now but may be possible in future.
3. **Identification of specific present market segments (customer groups).** Exclude segments which you may not be in a position to enter or service on account of product specifications/limitations, organizational/ financial constraints or entrepreneurial preferences/ prejudices. State the time sequence for entering or penetrating various segments.

4. Determining the geographical boundaries of the market, based on distance/transport constraints (e.g. corrugated boxes), perishability (e.g. milk), your organisational/financial resources (small entrepreneurs generally identify city or regional market) and market conditions (automobile components market in North India is overcrowded and so a Western India based producer may decide not to operate there at all).
5. Substitute or alternative products/services and determinants of market share between the proposed product/services and substitute products/services.

### **Level of Demand, its Determinants, Price & Related Matters**

- i. Present demand data with reference to individual market segments separately.
- ii. Life of the product/services and consumption norms. For example, gear wire of a scooter. One may presume that it will last 5,000 kms and that a scooter will run 5,000 kms in 6 months.
- iii. A regional breakup of present demand.
- iv. Past demand (time-series) data with reference to individual market segments.
- v. Determinants of demand with reference to individual market segments.
- vi. Seasonality/cyclical character underlying demand for the product/services.
- vii. Identification of environmental developments which will have a bearing on future demand:
  - Establishment of new enterprises, expansion of existing ones/closure of existing ones. (We are referring to enterprises which produce what you propose to produce)
  - Development of similar products, their features and pricing.
  - Major development programmes/ policies of the government.
- viii. Qualitative feedback from customers/dealers. Abundance or shortage of supply, causes for satisfaction and dissatisfaction, track record of major suppliers, present trend/future prospects with reference to product-use.
- ix. Information with reference to price trends. (Sources: Customers/Existing Producers/Prospective Producers/Regulatory or Administrative Wings/Industrial Promotion Wings/Development and Commercial Banks/Consultants and Technical Experts).

### **Competition and Supply**

- i. Degree and nature of competition (there may either be severe competition or comparatively less competition). The competition may rest on price or quality or timely delivery or a combination of such features.
- ii. A list of major competitors, details of their product range, product features, output, market share & pricing.
- iii. Position in terms of number of enterprises producing same or similar products, installed production capacity, output and geographical spread of such enterprises (these will include enterprises under item No. ii) and constraints to capacity utilisation for such enterprises. The constraints may pertain to electricity shortage, transport bottlenecks, raw material scarcity, credit squeeze and so on.



- iv. New enterprises in the pipeline. These are proposed enterprises which are likely to begin to produce the product/services for which you are carrying out a market study. The installed capacity, implementation schedules, location, promoter's background and implementation chances of all such enterprises must be ascertained.
- v. Import statistics over a period of time and likely changes in Import Policy.
- vi. A comparison of domestic products/services with imported products/services in terms of price, quality, product features, etc.
- vii. Cartels among existing producers of the product/services or among customers.
- viii. Existence of captive enterprises. These are enterprises which supply the product to customer firms owned by virtually the same management. You may have to overlook demand from such customer firms because these will continue to buy from these enterprises, regardless of the competitive strength of other suppliers. (A Pharmaceutical unit may set up its own, though separate, corrugated box unit. In this case; it will not buy from others).
- ix. Existence of buy-back or ancillary arrangement among existing producers of the product/services and scope for such arrangement in respect of proposed venture. A buy-back is a pre-determined amount of output. An ancillary arrangement means a guarantee given by a domestic company to buy a certain amount of output for its own use (ancillary arrangements are common in automobile, electrical and electronic industries).
- x. Practices which are illegal or are meant for taking advantage of legal loopholes and which have an impact on the market. Some instances are cited below:
  - Imports of a certain product may be banned but it is smuggled into the country on a large scale, making it impossible for domestic producers to compete. (Button cells, computers and many electronic parts, toys, tyres are examples of rampant smuggling).
  - Some producers avoid excise duty or value added tax by changing a product feature slightly and having the product classified under a different category. They thus gain considerable competitive edge vis-à-vis existing/ new producers who are unable to follow such a practice. (There have been instances of false stamping of cigarette length because excise duty rates were linked to the length of a cigarette. Allopathic medicines have been formulated to appear as Ayurvedic ones.)

### **Distribution, Trade Practices and Promotion**

- i. Channels of distribution, commission to middlemen, and their scope of work etc. influence the marketability of your product. (Will the middleman just sell or will he warehouse and promote the product/services? Will he provide after-sales service?)
- ii. Trade practices in terms of warranties, after-sales service, extension of credit, etc.
- iii. Relevance of advertising media/message, other promotion strategies and tentative cost of these in the early stage of product/services launch.

## Government Policy

### Government Policy with reference to:

- i. import of the product (restrictions or lack of same);
- ii. next point entry/exit regulations for enterprise making what the proposed enterprise is to produce. For example, the government may allow installation of power looms only in specified areas. In the small sector, the policies of financial institutions virtually amount to entry regulations since few entrepreneurs are in a position to set up an enterprise without financial assistance. Thus, the decision of a financial institution not to encourage woven sack units in selected states is an entry barrier;
- iii. entry/ exit regulations for customer firms. For example, you may want to make duplex board. A major end use of this is cigarette packing. The expansion capacity in cigarette industry is banned. So, it is an entry regulation for customer-industry firms. There may also be price control, e.g. pharmaceutical industry in India.
- iv. there may be price preference. The state governments in India buy from a small firm, even if its price is higher than that of a medium/ large firm upto a permissible limit;
- v. distribution (the edible oil industry in India is sometimes prevented from selling beyond fixed geographical areas);
- vi. promotion (statutory warning on cigarette packs and on alcohol ads are some such examples);
- vii. trade practices (margins of middlemen in pharmaceutical industry are controlled by the Government of India). There is a law which defines unfair trade practices. e.g.: Full-line forcing "I shall sell X product to you only if you buy Y product from me" is an unfair trade practice in India;
- viii. bank credit to customer-industries. You are selling chemicals to hydrogenated oil industry. If there is a tight credit policy for this industry, production and subsequently demand for your product/services will drop.
- ix. product related taxation (value added tax or excise, sales tax, etc.)
- x. fiscal/monetary (excise duty, sales-tax, income-tax, interest rate) concessions (based on specific objectives) to proposed product-industry. An enterprise located in backward area gets such concessions in India. The Government extends such concessions to new enterprises in selected industries to help them compete with larger enterprises that have been established earlier. A new sugar mill or a fertilizer project gets concessions not available to the old ones because it is more expensive to set up a new project.
- xi. product-specification/ packaging standards.

### Export

- i. National export statistics pertaining to proposed product/services over a period of time. These may be compiled either destination-wise or country-wise.
- ii. Government policy with reference to exports (there may be attractive incentives in order to induce exports).
- iii. Identification of determinants of international demand, trends in such demand,



comparative strengths and weaknesses of supplier countries, bilateral/ multilateral agreements, plans of importing country to develop indigenous supply sources, its tariff/ quota policy regime.

- iv. Sources which can render assistance for export maker development

However, some of these points, e.g., export, may not be relevant for you. At the end of the study, you should have answers to all questions relevant to your enterprise. This will reduce the chances of your having to face market shocks later. Remember that you are not doing this exercise to avail of finance from term-lending institutions or banks (who are likely to be satisfied with the demand /supply position or forecast). You want to successfully market your product/s and hence the needs enumerated in Exhibit 1.1 have to be addressed.

### SAQ 3.1

Fill in the blanks.

Market study is to be conducted not only to obtain \_\_\_\_\_ but also to ensure \_\_\_\_ of the product.

### Sources of Information

A question arises at this point and that is, from where will you get the information required to adhere to the needs in Exhibit 1.1& Exhibit 1.2 lists most of these sources.

### Exhibit 1.2

#### Sources of Information

- \* Customers for the proposed product/services and association of customer-industries.
- \* Existing producers of the product/services and association of such producers.
- \* Prospective producers of the product/services
- \* End users and end user associations (These are individuals or firms, who are the ultimate customers. A firm may sell electronic parts to a TV manufacturing company-the customer. The enduser is the TV buyer).
- \* General trade associations.
- \* Manufacturers/suppliers of plant and machinery for the proposed product and association of such manufacturers/suppliers.
- \* Manufacturers/suppliers of raw materials for the proposed product and associations of such manufacturers/suppliers.
- \* Manufacturers/suppliers of packaging material for the proposed product/services.



- \* Middlemen (wholesalers, distributors, retailers) for the proposed product/services and associations of these.
- \* District Industries Centres (which issue registrations for small industries in India).
- \* Regulatory administration departments, e.g., Department of Food and Drug Administration.
- \* Product-related tax authorities (excise department, sales-tax department).
- \* Export houses.
- \* Export promotion bodies.
- \* Consulates/Commercial wings of foreign embassies.
- \* Custom authorities.
- \* Officials in development/commercial banks.
- \* Officials in industry promotion wings of the government, consultants, technical experts.
- \* Databases (e.g. Centre for Monitoring Indian Economy, this has been discussed separately).
- \* Relevant Technical Institutes (i.e. Bureau of Indian Standards, Central Food and Technologies Research Institute).
- \* Other interested groups such as consumerists, environmentalists, etc.

**Collection of information is a skill. We shall discuss this later in detail.**

For example, an entrepreneur in a small town sees the potential for potato wafers for the local market (a small town with a population of Rs. 5 lac). If he wants to cash on this opportunity, the basis of which is the abundant availability of raw material and therefore low production cost, he now has to understand how to market the product i.e. understand who will be his potential buyers and how to price the product and make it available to his target customers at the lowest cost. The first thing he has to do is to determine the target customer group, which can be done by segmenting the local market into terms of age, sex, income etc. and etc. and identifying the specific uses of the product and then selecting the right group of customers who might be benefited by the product. Next, he has to determine the size of the target customer group which will enable him to carry out profitable business operations and so on.

In the above example, the focus of the entrepreneur is on the customer but it must be remembered that the customer is not the only actor in the business environment. There are other producers, the society at large, the government and the legal system and the interactions between

they create a complex business environment which might positively or adversely affect the success of the venture. This necessitates the understanding of the business and the relevant factors that affect the business performance and this is the broad objective of a Marketing Research programme.





# UNIT

## 4

### Contents

#### Chapter IV

1. Introduction
2. What is market demand?
3. Market Demand: a five dimensional concept
4. Uses of demand Estimates
5. Components of demand estimate
6. Method of estimating Current Demand

**The aim of this chapter is to:**

- Familiarize you with the concept of demand

**Objectives:**

On completion of this chapter, you will be able to:

- acquaint you with various expressions of market demand
- familiarize yourself with various types and components of demand
- acquaint yourself with market analysis, planning and control



## Introduction

One of most important factors in any business venture, which is often overlooked, is the size of the market demand. An entrepreneur with some experience may have some idea about the future prospects of the product, but it would be unwise to jump to a conclusion about actual market demand based on intuition or optimism. It is important to understand that there is a big difference between market potential and actual market demand and you have to understand the importance of estimating the market size, which would help you in taking the right decision in creating the correct marketing mix.

### What is Market Demand?

Market demand for a product is expressed as the total volume of the product that would be bought by a defined customer group in a defined geographical area over a defined time period in a defined marketing environment under a defined marketing programme.

According to Philip Kotler, a marketing proponent, there are 90 types of demand. For small scale industries however, you may not need confirmation for all types of demand. In toys, dolls can be taken as a product item. We can estimate the demand for dolls for a short range (for within a year) or medium range (for within 2 years) or for long range (for within 5 years). We can assess the total demand in the entire world or in India or in Gujarat (region) or in Ahmedabad district (territory) or of a customer or a group of customers. Similar estimates could be made for a product class (i.e. toys) or a broad product line (i.e. plastics) or for a single company or an entire industry comprising of several components.

Each type of demand measurement serves a specific purpose. You have to study each type of demand well. You might make a short-range forecast of the total demand for a specific product item to provide a basis for ordering raw material, planning production and scheduling short-term financing. You can use this information to make a long-range forecast (for about ten years) of regional demand for your major product line to provide a basis for considering market expansion.

(I)	World			
(II)	India			
(III)	Region			
(IV)	Territory			
(V)	Customer			
(1)	All Sales			
(2)	Industry Sales			
(3)	Company Sales			
(4)	Product Line			
(5)	Product Class			
(6)	Product Item			
		(i) Short range	(ii) Medium range	(iii) Long range
		Present	2 Years	5 Years
Nine types of demand measurements				
(6 x 5 x 3)				



## Market Demand: a five dimensional concept

You should consider market demand in relation to the following dimensions.

**Product:** A product has to be defined. If you want to make ready-to-serve fruit based drink, see how the product is defined in Exhibit 1.3

### Exhibit 1.3

#### RTS Fruit-based Drink: The Basic Dimensions

Product	Ready-to-serve fruit-based drink
Flavours	Mango
	Orange
	Pineapple
Packing size	250 ml. Returnable glass bottle
Geographical Area	300 kms around Baroda
Time period	2005-2010.

### Uses of demand estimates

Demand estimates help you carry out three major management functions. They are:

- (1) analysis of market opportunities
- (2) planning of market efforts
- (3) control of marketing performance.

### Analysis

You must make a choice from among the many markets or sub-markets open to your product. You can have quantitative estimates of demand in various markets and market segments. An ice-cream company may use this information for opening ice-cream parlours. A toy company may use this information to decide on the type of toys to manufacture - mechanical or electronic. A medicine company, with the help of this information may decide how to sell its products to hospitals.

### Planning

After selecting your market, you must plan your marketing programme.

An ice-cream company may plan how many and which types of staff it would require for its parlours. A toy company may plan its advertising media and budget. A medicine company may plan sales system for doctors, medical stores and hospitals.



## Control

After starting your marketing functions you have to control them for better result, profit and image.

An ice-cream company may decide to change flavours of its ice creams to stay ahead in the competition. A toy company may decide to reduce prices on slow-moving toys. A medicine company may spend money on research to develop a better product and retain monopoly in the market.

### Market assessment helps in understanding:

- the size of the market
- the competition
- trade practices, methods, etc.
- the tastes and preferences of the consumers, and
- in formulating a "market programme".

Demand estimates need not be 100% accurate but they should give a realistic picture of the demand, other factors related to demand and the trends thereof.

Assessment of market is required in order to:

- (1) know about profit possibility
- (2) design a product well
- (3) have a right brand name
- (4) have right packaging for different quantities
- (5) buy specific raw material
- (6) employ right people
- (7) establish required distribution system
- (8) have effective advertising and promotion
- (9) decide right price
- (10) have short-term and long-term planning
- (11) have profitable finance policy
- (12) decide about future expansion
- (13) have right equipment and tools



(14) decide about terms and conditions for middlemen

(15) decide about product life and precautions.

### SAQ 4..1

(1) Which are the three main functions influenced by the estimate of market?

(2) Contact 15 to 20 consumer stores in your city. Try to know the demand for such popular brands as Bournvita, Horlics, Boost, Nutramul, etc. Write down the results.

Number of consumer stores you have surveyed: \_\_\_\_\_

**Name of the brand**

**Demand estimation**

**Period**

### Components of Demand Estimates

You will come across many terms related to demand. The major concepts in demand measurement are market demand and company demand. Within each, you have to distinguish among a demand function, a potential and a forecast.

**Market**



Demand

Forecast

Potential

**Company**



Demand

Forecast

Potential

There are eight elements to be taken care of in market demand:



## **Product**

Market demand measurement requires a careful definition of the product or product class. You should have a clear idea about your product, and its users. A seller of detergents, for instance, has to decide whether to manufacture low priced detergents or high priced detergents. A toy manufacturer has to decide about urban market and rural market, and to measure the demand for mechanical and non-mechanical toys, low-priced or high priced toys, educational or entertaining toys. In India the rural market is very large but it may have low buying capacity for toys. So a toy manufacturer may have to depend more on the urban market

## **Total volume**

Market demand can be measured in terms of either physical volume, rupee value or both. The market demand for scooters may be described as 10 million scooters or a Rs. 20 billion market, depending on the requirement

## **Bought**

When you measure the market, you should define whether "bought" means the volume ordered, shipped, paid for, received or consumed. A forecast of scooter sales can vary, depending upon whether the measure is the number of scooters delivered to the dealer or the number purchased by the users.

## **Customer group**

Market demand may be measured for the whole market or for any segment of the market, e.g., cloth bought in urban area and rural area or by upper-middle-class and lower-middle class

## **Geographical area**

Market demand should be measured with reference to well-defined geographical boundaries, e.g., demand in Gujarat, Maharashtra or Karnataka

## **Time period**

Market demand should be measured with reference to a stated period of time. e.g., demand in 2005 AD, demand over next five years, demand by year 2015 AD, etc.

## **Marketing environment**

Many factors affect market demand. You may sometimes be not in control of these factors, e.g. change in technology, change in government policy, change in fashion, taste, etc. TV has changed the standard of living in rural as well as urban areas. VCR, TV and DVD have changed the market for theaters. Cable TV has affected the video cassette market.

More people in urban areas have taken to fast food instead of traditional snacks. More two wheelers are now in demand among students than earlier.

## **Know Your Market**

You should be able to answer the following questions:

Where is my market?



How big it is?

Who are my customers?

Of what type is my customer?

(young or old, male or female, educated or uneducated, etc.)

### **Steps for Market Study**

1. Make the objectives of your market study clear.
2. Know how and where to gather information
3. Apply different methods to gather information.
4. Analyse the information.

### **Marketing programme**

Market demand is also affected by controllable factors. It shows elasticity (i.e. effect) with respect to price, promotion, product design and improvement, distribution system and image building.

Marketing effort is directly related to market demand. If these efforts are consumer oriented, demand may increase. If these efforts are weak, in wrong direction or based on beliefs and myths, there may be a negative result so far as demand is concerned.

### **Market forecast**

Market demand corresponding to the expected effort is called market forecast. It shows what you would be able to sell using your entire marketing programme.

### **Market potential**

Market forecast shows the expected market demand but it does not show the highest possible market demand. Market potential is the limit approached by market demand as industrial marketing effort goes to infinity in a given environment. The phrase "in a given environment" is important in the concept of market potential. For instance, market potential will be lower in a period of recession and higher in a period of prosperity.

### **Company demand**

Company demand is the company's share of the market demand. Once you know the market potential, it does not mean your company can have the total market. Here competition plays a great role. You have to find out your share of the market. You have to decide whether you will be able to make profit at your share of the market. In India, an unknown company may have difficulty in selling toothpaste. Well-known brand names have the maximum share of the market. A new company has to offer something new to get a share. This way you have to study the market at great lengths to find out the right position for your product. Many unknown brands of toothpastes, in spite of being quality products, failed in the market though the market potential was there. So before launching your product, you should assess the demand for your product. What others sell is not important, but what you can sell, is.



## **Company forecast**

Company forecast is the expected level of company sales based on a chosen marketing plan and assumed marketing environment. According to Philip Kotler, "The company forecast does not establish a basis for deciding on the amount and composition of marketing effort; quite the contrary, it is a result of an assumed blueprint for marketing action. The sales forecast must be viewed as a dependent variable that is affected, among other things, by the planned marketing activity of the firm".

## **Company potential**

Company potential is the limit approached by company demand as company's marketing effort increases. The absolute limit of a company can be considered as the market potential in general. Company potential is less than market potential because some customers are loyal to a particular brand name or a particular company and hence cannot be attracted by your product.

## **Sales goal**

The sales goal, set for a product line, company division or company agent, is primarily a managerial device for defining and stimulating sales effort.

## **Methods for estimating Current Demand**

Up to now you have studied the major concepts in demand measurement. Now we will show you the practical methods of estimating demand.

We consider two factors:

- (i) What is the current demand?
- (ii) What will be the future demand?

Current Demand: You may have to estimate:

- (a) Total market potential
- (b) Territorial market potential

When a new product is to be introduced, it is necessary to know the total market potential so that you may have sufficient scope for profit. Often you may have to start with an estimate of a break-even volume and then inquire whether this volume can reasonably be sold. If the new product is a substantial innovation, you will have to rely on surveys of buyers' reactions and intentions.

One method of estimating market potential is the chain ratio method. We will explain this with the help of an example. One soft drink company was interested in estimating the market potential for a new cola. It adopted the following formula:

Demand for cola = Population x Personal income x Average percent age expenditure on soft drinks x Average percentage expenditure on cola.





You should know the cost of estimating the demand for your product. You should make a budget of expenses, resources, manpower needed, etc. before you start working on estimation.

The first step in market research is to quantitatively assess the size of the market, so that you know if it is large enough to permit profitable operations.

To make quantitative assessment of the market you have to rely on secondary data and primary data.

### **Case study of a Soft Drink Project**

Rajan Mehta, an entrepreneur from Gujarat wanted to set up a soft drink project. He collected all relevant information from various sources like IDBI News Digest, CFTRI Directory, Times of India and Financial Express reports and also a report published by a Delhi based consultancy firm. All these reports showed that there is an average 21.3% growth in soft drink consumption in India and predicted a very bright potential for soft drink market.

Published information often does not tell you about the qualitative aspects of the markets, particularly about the local market of your interest. So, fieldwork is of critical importance in this respect. Hence Rajan Mehta gathered quality information through personal interviews. Following is the result of the information collected through personal interviews:

1. Gujarat is not a particularly strong soft drink market compared to urban north India/Mumbai. Ice-cream is relatively cheap in Gujarat. People here prefer to eat ice cream rather than have a soft drink during summer. They do not like the idea of paying for a mixture of carbonated water, colour, essence and sugar.
2. The per capita consumption in Gujarat is 5 bottles/year.
3. Unlike the rest of the country, cola and lime are not the leading flavours in Gujarat. It prefers fruit-based flavours. Orange and mango are the most popular flavours.
4. South Gujarat (Surat/Valsad) is the most soft drink oriented region. Saurashtra is dominated by numerous cottage level soda water producers and so far as branded soft drinks are concerned, it is the region with least potential. Ahmedabad/Baroda lie in the middle of South Gujarat-Saurashtra extremes.
5. Gujarat has a strong preference for RTS fruit-based drink, akin to flavoured carbonated soft drink.



## SAQ 4.2

- a) What is the difference between market demand and company demand?
- b) What is the difference between market potential and company potential?
- c) What is the difference between market forecast and company forecast?
- d) What is primary data? How can you get it?
- e) What is secondary data? How can you get it?



# UNIT

## 4

### Contents

#### Chapter V

1. Introduction
2. Secondary data: Advantages & Disadvantages
3. Approaches for collecting secondary data
4. Primary data: advantage & disadvantage
5. Techniques for collecting primary data
6. Factors affecting the selection of data collection method
7. Which method should one select
8. Approaches for collecting primary information through questionnaire

**The aim of this chapter is to:**

- help you in understanding and selecting the data collection method and designing the proper questionnaire for market survey

**Objectives:**

On completion of this chapter, you will be able to:

- distinguish between different approaches to information gathering
- to acquaint yourself with the different methods for data collection
- to select the right method for data collection



## **Introduction**

As explained earlier, market research is geared towards collection of data and information. Data sources are many and varied. But there are mainly two modes of data collection, which are through secondary data source and primary data source.

### **Secondary data**

Information that already exists in documented form:

#### **Advantages**

- It is less expensive to collect.
- It can be obtained rapidly.

#### **Disadvantages**

- It can be old and probably outdated.
- Data may not be collected in the form desired.
- Difficult to verify the accuracy of the data.

### **Approaches for collecting Secondary information**

There are two approaches to collecting information. These are:

- Exploratory-cum-Desk Research (EDR)
- Detailed Market Research (DMR)

For most small entrepreneurs, exploratory-cum-desk research is adequate. Let us find out how you can do this. EDR means that you meet various persons, read relevant books or journals to gather information and features and try to arrive at answers to questions in Exhibit 1.1. We have also listed in Exhibit 1.2 the individuals/agencies whom you should meet. You, in all probability, do not have the required amount of resources to undertake extensive travel. So, you meet local people or those who are not located too far from your place. So far as distant sources are concerned, you communicate through letters, telephone, fax etc. So, EDR means three things:

- Locating published/unpublished material and reading it (even buying such material, if it is necessary and within your financial reach).
- Interviewing customers, manufacturers of machinery/raw material suppliers, middlemen and others.
- correspondence/phone calls.

#### **Locating published/unpublished material**

Do not neglect to use libraries. There is a tremendous amount of information on market/products, which is continually being published. Exhibit 2.1 is an illustrative list of some of these useful publications.



## Exhibit 2.1

### Some Useful Publications

Economic Times Financial Express Business Standard	Dailies
Business India Business Today	BusinessMagazines
Corporate Observer, Facts For You, Industrial Researcher	Business Journals carrying regular information on markets
Chemical Business Chemical Weekly Computer Today Electronics For You Indian Electrical and Electronic Manufacturers' Association Popular Plastics and Packaging Food Industry News	Industry-specific Journals

There are libraries where issues of economic dailies/journals are preserved and the articles are subject indexed. You can get, from such libraries, not merely a list of books on the industry of your choice but also a list of various articles, which have appeared in various economic dailies/journals. Sometimes universities and several government departments prepare reports on market environment. These are of immense use.

### Use of Library - Some Tips

While using a library; keep the following in mind:

1. Look for as much of recent data as is possible. Do not spend too much time on reading reports about industry, which are, say, 10 or more years old.
2. Note the original sources of information. It is often worthwhile to get the original document. For example, you have read a report that the Indian colour TV industry has the potential to reach an annual production of Rs. 1,100000 (one crore ten lac) TV sets per year in the next 10 years; and that this is a finding based on a study by Arthur D. Little. This study was sponsored by the Japanese Colour TV Manufacturers Association, Deptt. Of Electronics - Government of India and ICICI. If you are interested in making colour TVs, or parts thereof, you should try to get the report itself.
3. Make notes about individuals/companies likely to be knowledgeable about the information you are seeking. You will also have to go out and meet people. Research papers in libraries will give you leads on people whom you should meet and what you ought to ask them. Likewise, relate what you have heard in the course of field work, to what you have read. This is important to develop a good understanding of the market.



4. Use as many directories/handbooks as possible. These give you not merely the names but also addresses/phone numbers of companies whom you may want to visit.

### **Databases and Credit Rating Agencies and Annual Reports**

There are several agencies, which compile, store and furnish information. Usually these agencies collect published information. Credit rating agencies often carry out comprehensive analyses of various industries. These analyses includes market analysis too.

The reports normally are of excellent quality and, often, they are not confidential. So, you can always check whether a credit rating agency has done any work on the market of your choice. A list of credit rating agencies is given in Exhibit 2.2

#### **Exhibit 2.2**

##### **Databases and Credit Rating Agencies**

1. Credit Rating Information Service of India Ltd.
2. Credit Analysis and Research Ltd.
3. Marketing and Development Research Associates
4. Investment Information Credit Rating Agency of India

These databases extensively utilize the published annual reports of companies. You can also go through the annual reports of companies to get information on installed capacity, actual production, sales, export, expansion/diversification plans, etc. The Registrar of companies keeps these reports but the reports are filed with the Registrar of a state in which the company is registered. You have a right, if you make a token payment, to inspect these reports and make brief notes.

### **Marketing Demographics**

If you are going to sell a consumer product, you will definitely have a strong interest in the following:

1. Population
2. Number of households
3. Break-up of population according to age and sex
4. Urban-rural break-up of population
- Break-up of population according to economic status (poor, middle class or rich)

The Census gives you all the above information except the one at No. 5. The National Council of Applied Economic Research has however done valuable work on the subject. It is now available in the form of a book – “Consumer demographics in India”.



It tells you the number of poor, rich-in fact five economic categories of households in various cities/states in India. It also has data about the ownership of various consumer durable products like fans, radios, bicycles, refrigerators, TVs, town-wheelers, pressure cookers, cars, etc. within an economic class in a given city. For example, how many poor households in Karnataka own bicycles. It does not merely tell about ownership (or penetration), it also tells you about the annual sales too. How many fans sell in India in a year? Who buys these? etc. You can find a reference point product and use the demographic information. The book is an excellent aid to help you arrive at an estimate of the total market.

### **Thompson Index**

Let us assume you want to make biscuits at Nashik. You do a lot of work and figure out that the market for biscuits at Nashik is estimated at Rs. 1 crore per year. You wish to sell in the whole of Maharashtra. But you do not have either the time or the resources to do similar work in all the cities/town of Maharashtra. You could compare the population, but the purchasing power of cities/towns is not quite proportional to its population. Thompson Index, based on various parameters, tells you about the market value of all individual cities/towns in India (Mumbai = 100 marks). It also tells about the market value of rural markets in all individual districts of India. The index values are handy if, based on work in a single city/town, you want to estimate the market size in a geographical area of your choice.

### **Data on Industrial/Agricultural Input Production and Market Share of Companies**

If you want to sell your product to an industrial unit, you will be interested in the installed capacity, actual production and such other statistics of the said unit. The economic dailies/journals publish these. In addition, there is a monthly bulletin - 'Production of Selected Industries in India', brought out by Government of India. CMIE also publishes this. In fact, CMIE brings out an annual publication on market share of major companies. It covers hundreds of common industrial/consumer products. It gives you an indication of what the annual turnover of major individual companies is and what is the share of these companies in the national market.

All industry-capital goods (e.g. electrical machinery, machine tools), core industries (e.g. steel, fertilizer), and raw material/intermediate industries (e.g. yarn, caustic soda, dyestuff) have relatively well organized associations. You can get a considerable amount of statistical/directory information from these associations. If you have the above cited industries in mind with future plans of manufacturing any of these goods, make it a point to pick up information from the concerned associations.

### **Primary data**

**Primary data:** Information that must be collected first hand through fieldwork

#### **Advantages**

- Data can be collected as per requirement of the study.
- Total control over the data collection process can be maintained.

#### **Disadvantages**

- They are more expensive to collect.
- The process is time consuming.



## Techniques for Collection of Primary data

1. **Through Survey:** In the survey method of primary data collection, a representative sample of the population to be surveyed is selected and information collected through a questionnaire.
2. **Through Observation:** Data collection through observation involves the systematic recording of behaviour, objects or events. Camera, tape recorder and personal observation can be used to collect information. A number of departmental and supermarket studies are conducted through observation method: how the customer reacts to display of products, to demonstration of a product etc. This method shows how the customer acts, though it does not show why he acts that way. This method, a sophisticated and expensive one, may be useful in urban areas.
3. **Through Experiment:** In this method, the market researcher conducts the survey in controlled or laboratory situations. In one kind of experiment called Test marketing, a trial run is carried out to determine a consumer's reaction and actual sales volume and based on the response of the customer at different locations the necessary information can be collected. For example, the reaction of the customer may be studied when she/he is offered 10% discount or a gift on buying specific quantity or packaging with different colors etc. This method may not be much use to a small entrepreneur, as it is expensive and results are known only after the production activities have started.

## Factors affecting the selection of data collection method

Of the various types of survey methods, the right one for your study would depend on the following factors:

**Nature, scope and object of inquiry:** The method selected should be such that it suits the object of inquiry at hand i.e. the market research objective. This will enable us to decide whether the data already available (secondary data) are to be used or the data not yet available are to be collected.

**Availability of funds:** The next important factor would be the amount of money available for data collection. If you spend too much, then your product price will go up and you may have a problem in facing the competition. If you spend too little, the data may not be upto the mark and might not be useful.

**Manpower requirement:** Carrying out a survey is an involved process and has higher manpower requirement than that for collection of secondary data. You need to have a clear picture of the manpower available so that bias is minimized and you are able to elicit the correct response from the respondent.

**Time factor:** The process of data collection should not be long. It may happen that when you are busy with the data collection process, your competitor has started selling his product.

**Availability of experts:** You may collect data on 500 firms through a survey, but without the right interpretation of the information collected, you may shoot in the wrong direction. The interpretation of the study and the decision on the basis of the survey are very important. If the





interpretation is wrong, the decision will also be wrong. Therefore it is advisable that experts are available for interpretation of the data.

### **Which method should one select? Secondary or Primary**

Data collection process should start from secondary sources, where available documented data is scanned to determine its suitability for the purpose at hand. Have already been explained to you. The approaches one may take for collecting secondary data. When you feel that the available secondary data is not suitable for getting the required information, you should go for primary data collection.

For a small entrepreneur, the best method for primary data collection would be through survey using a **questionnaire** or a **schedule**. A **questionnaire** is a written document containing a number of questions sent by mail to the respondents for them to answer. A schedule on the other hand is similar to the questionnaire except the mode of filling the answers. In a schedule, there is a face-to-face interaction between the interviewer and the respondent.

### **Approaches to collecting primary data through questionnaire**

#### **Telephone interviews**

You should prepare a short questionnaire. It should be to the point. A person does not have an eye-to-eye contact over telephone, so you cannot observe the respondent's facial expressions. Looking to this fact, great care should be taken in asking questions.

#### **Mail contact**

When you conduct survey through mail (postal system) you should limit your questionnaire to 3 to 4 pages (around 20 - 25 questions). You can have multiple-choice questions so that the respondent can answer quickly and may not ignore the survey. Do not ask personal questions about income, qualifications, etc. because some respondents may not like to answer personal questions. If you want information about income and other personal details, then do not ask his name and address but keep it anonymous. In mail survey, you may sometimes have to offer a small gift to have positive and quick response.

#### **Personal contact**

You can prepare a detailed and long questionnaire. For personal contact, you must visit the respondent when he has enough time to spend with you. You must also take care of emotional matters to ensure that the respondent does not feel hurt. Avoid questions which can irritate him/her. Observe his/her body language and keep an eye contact while asking questions.

### **Field Interviews: An Essential Skill**

These are your best bet for information collection. You must meet owners of existing enterprises, prospective customers and others. Conducting a field interview is however a skill. You will have to mobilize your



- power of communication
- ability to read the other person's mind
- perseverance and tact
- ability to create warmth and friendliness (depending on circumstances)
- knack of detecting the truth

if you want to get the best out of field interviews.

### **Field Interviews: Useful Tips**

There are practical aids by which you could derive maximum benefit from field interviews. These are:

1. Some amount of "warming up" is essential. Initial conversation should reveal to you how knowledgeable, cooperative or enthusiastic the respondent is. Further questioning in terms of content and style, will, to a large extent, depend on this.
2. "Networking" is a crucial input. It may be of help if a bank official who has extended credit to a certain unit, can recommend you for an interview with the present owner of the unit, rather than your meeting the owner directly. You can also utilise the help or assistance of friends, relatives, acquaintances and business associates to reach the right persons and obtain quality information from them.
3. While collecting data from knowledgeable persons, particularly your competitors, you will have to make an ethical choice of how truthful you want to be about your objective. There is a possibility that if you tell the truth, the person may not cooperate. So there are entrepreneurs who have posed as potential customers. Obviously, they get a much better response, though the context is different. You decide for yourself what you would like to do.
4. You should be sensitive to clues. An interviewee may make a statement on which he may not have back-up data and information or he may be unwilling to disclose such information (because he might guess your real mission for interviewing). Contact some other person in the line to secure such back-up data and information. For instance, if you are interviewing the owner of an aluminium collapsible tube unit since you too want to manufacture such tubes, you may present yourself as the prospective owner of a pharmaceutical enterprise (customer). The tube manufacturer may tell you about the growing popularity of lacquered tubes among pharmaceutical units. You are now curious to know about the proportion of lacquered tubes in relation to the total sale. But if you ask him this question, you might arouse suspicion. so, you must talk to another person and try to get the data.
5. Generally, an existing manufacturer is more often willing to talk about his competitors or other manufacturers rather than talk about himself.
6. Motivated or false responses are a danger you must guard against. Machinery and plant suppliers normally present an exaggerated picture of market prospects. Existing manufacturers try to discourage you, if they suspect you to be a prospective entrant. The customers of a product or service on the other hand always welcome a new manufacturer irrespective of the fact whether there is room for him/her or not.



7. Employees often provide information which the owners may be unwilling to furnish. It is useful to pick up preliminary information from employees. Likewise, it is rewarding (if the owner agrees) to meet an employee (in the owner's absence) who may be amenable to relaxed conversation and is perhaps unaware of the actual objectives of investigation. Retired employees are normally forthcoming and are enthusiastic to volunteer information.
8. Sometimes, a number of knowledgeable persons are available at a single location. This saves time, effort and cost. For example, Sadar Market in New Delhi accounts for 80% of the acrylic yarn market in India. Similarly, a brief chat with a manager of LMB restaurant in Jaipur will lead to knowledge about who-is-who in the gem and jewellery business in India.
9. You should analyse things quickly and fine-tune your interview plan as you go along. Let us assume that you want to manufacture hardware. Therefore, you begin to interview building contractors- your customers. The building contractors will tell you that hardware is an item in which building owners take a great deal of interest. They decide on the type and brand of hardware to be bought. You should, given this observation, put building owners on your list of interviewees and probe into how they arrive at decisions.
10. Do not rely on your memory. You receive so much information from so many persons, at such a rapid pace, that you are likely to forget or mix things up. So, make brief, precise notes. These notes serve an additional purpose of helping you clarify your mind and enable you to decide specific questions on which you should concentrate, when you hold another interview with somebody else.
11. Collect and preserve the visiting cards of persons whom you meet. Collect product / market literature. You will find these useful while making decisions on marketing your product after you have commenced production.



# UNIT

## 4

### Contents

#### Chapter VI

1. Introduction
2. What is sampling
3. Different sampling procedure
4. Questionnaire Design
5. A sample questionnaire
6. Key Components of Market Survey
7. Problem in Market Survey

**The aim of this chapter is to:**

- familiarize you with sampling procedure and designing a questionnaire

**Objectives:**

On completion of this chapter, you will be able to:

- acquire knowledge about to introduce a sampling plan
- understand the sampling procedure
- acquire knowledge about factors influencing a survey
- to conduct successful field interviews
- know the steps for effective survey





4. **Cluster sampling:** In this sampling, population is divided into clusters and random sample is drawn from the clusters. A geographical area to be surveyed is divided into blocks of similar pattern and size and the items are selected from each block on a random basis.

### **Types of Non-probability Sampling:**

1. **Convenience sampling:** In this sampling, the researcher studies all those persons who are most conveniently available or who accidentally come in contact with the researcher. For example a research to map the reading habits of college students might visit library, classroom, canteen and interviews whosoever comes in his/her contact. Here sample units are selected on researcher's convenience.
2. **Purposive sampling:** In this sampling the researcher purposely chooses persons who, in his judgment posses appropriate characteristics required to be the sample member. This method relies on the researcher's judgment as to who should be in the sample.
3. **Quota sampling:** This is a version of stratified sampling with the only difference that instead of dividing the population into individual strata and randomly choosing the respondents, it decides quotas fixed by the researcher. In the process of selecting 100 students from 10 engineering colleges in a State, the researcher may fix quota 10 from each colleges, out of which 4 can be girls and 6 boys.

### **Sample Size:**

The next issue is the sample size or how many people should be there in a sample. There is no fixed criteria, however one could apply formula given by Taro Yamane (1970)

$$n = \frac{N}{1 + n(e)^2}$$

N: represent total population

e: represent sampling error

n: represent (desired) sample size

### **Questionnaire design**

Once you have decided on the survey plan, set a questionnaire. Through a survey questionnaire you have to elicit and collect as much information as you can within a short time without irritating the respondent. This requires common sense and an understanding of human nature.

For designing a questionnaire, various types of questions can be used, as will be discussed a little later. You can mix the types of questions according to your requirement to get maximum and useful information from a respondent.

You require skills to design an effective questionnaire and ask the right type of questions. There are a few points, which you should keep in mind:



1. The sequence should be in order.
2. Questions should not be ambiguous.
3. Questions should not suggest answers. e.g. Do you like our product? (Even if a person wants to say "no", for diplomacy he may say "yes")
4. Questions should not be vague. e.g. How many toothpastes do you use? (here the duration is not clear)
5. Avoid questions which are related to a person other than the respondent. e.g. What is your husband's favourite brand of oil for his scooter/car? (she might answer 'How do I know?')
6. Avoid questions which may stress a person's memory, e.g. Which TV programmes did you watch a week ago?
7. Avoid ridiculous questions. e.g., How many times did you eat ice-cream last year? (the respondent might say 'who counts?')
8. Avoid personal questions. e.g., What is your income?
9. Avoid general questions which may evoke more than one answer. e.g., Do you drink 'Thumbs up' regularly? (What do you mean by 'regularly?')
10. Avoid questions where the respondent may not like to reveal a secret. e.g., What methodology do you employ to develop future projections? (He/she might think 'why should I tell you?')
11. Avoid too common questions, which cannot give you the right information. e.g., Do you like soft drinks? ('which soft drink?')
12. Avoid political or biased questions. e.g., Do you think it is right as a loyal Indian to buy imported products which put Indians out of work? (A customer might use imported products but his answer can be assumed).
13. If possible, give multiple choices to a respondent who can select his/her answer.
14. Use simple words and short questions to avoid misunderstanding.
15. Ensure that the respondent is comfortable and not confused while answering.

#### **Exhibit 4.1**

##### **Designing a questionnaire: Some more suggestions**

1. Keep the questionnaire brief.
2. Define even apparently simple concepts. Establishment of an enterprise may mean company incorporation to some and commencement of production to others. A shift may be of 6 hours or 8 hours. It is better to define all such concepts so that you avoid the danger of a particular response conveying varied meanings.
3. It is useful to divide the questionnaire into separate groups of questions. Sometimes, there may be a portion of the questionnaire which may be irrelevant for a particular respondent.
4. Pay particular attention to sequencing of questions
5. Do not leave things to the investigator's discretion. For instance, unit of measurement (kilo or tonne) and such other points must be clearly specified.
6. Do not frame questions in such a manner so as to cast a substantial computational



responsibility on the investigator (For instance, if an investigator has to ascertain five streams of output, multiply each stream by unit price and work out a total of such five products as an answer to a question, otherwise he/she may commit an error).

7. The layout of the questionnaire - the space to be provided, the boxes to be provided, etc. - is very important. A well laid out questionnaire facilitates the investigator's task.
8. It sometimes helps to incorporate similar questions in order to crosscheck. This means touching upon a given issue more than once. If a respondent comes out with a different or a contradictory response, it raises doubt about the veracity of his response.
9. It is customary to include an open-ended question in the nature of "other comments" at the end of the questionnaire so that a respondent gets a chance to express his/her views on issues left out under the earlier (structured) part of the questionnaire.
10. It is wise to avoid questions which are too sensitive (or threatening) or are likely to make the respondent feel apprehensive. Such questions tend to reduce the respondent's cooperation even in respect of harmless questions (e.g. in India, a question on profit put to a proprietorship or partnership firm is likely to cause such a situation) If necessary, such questions may appear towards the end of the questionnaire.

## Types of Questions

### Dichotomous

A question offering a choice out of two answers:

Do you like to watch TV ads?

YES      NO

### Multiple choices

A question offering a choice out of three or more answers

Generally how do you pass your free time?

- |                        |                      |
|------------------------|----------------------|
| (A) Watching TV        | (B) Playing games    |
| (C) Resting            | (D) Reading books    |
| (E) Listening to music | (F) Visiting friends |

### Sementic differential

Here a scale is inscribed between two bipolar words, and the respondent selects the point that represents the direction and intensity of his/her feelings:

I like tea-

Very strong      Strong      Average      Mild      Very mild

### Likert scale

A statement with which the respondent shows a degree of agreement/disagreement.

E.g.: Small stores generally give better service than large ones.

Strongly disagree      Disagree      No comment      Agree      Strongly Agree





### **Importance scale**

A scale that rates the importance of a particular quality of a product or a service from "not at all important" to "extremely important".

E.g.: Good attractive packing of a product to me is-

Extremely important    Important    Not very important    Not at all important

### **Rating scale**

A scale that rates some attribute from "poor" to "excellent"

E.g.: The service of our departmental store is-

Excellent    Very good    Good    Fair    Poor

## **Open - ended questions**

### **Completely open**

A question which can be answered in a number of ways.

"What is your opinion of modern TV ads?"

### **Word association**

What is the important quality you look for in the following products? (e.g. Ink = fast drying)

Soap    Toothpaste

What according to you, is the most important quality in the following products?

### **Sentence completion**

When I enter any store, I first watch\_\_\_\_\_

### **Picture observation**

Here is a packing of a soap. (Brand name is obliterated). Guess the brand name.

## **A Sample questionnaire**

In this questionnaire, there are many open-ended questions. Redesign it and make it more effective but easy to answer, particularly in context of the product you select.

1. Which brands of packaged tea are you aware of? Please list them.
2. Which ones have you used? List them.
3. Rank the following brands in order of preference. Tata - Taza - Taj - A1 - Lipton    Tiger - C. Somabhai - Wagh Bakri - Hasmukh - Jivraj - Others



4. List the brands whose advertisements you have come across in newspaper/magazine, radio, T.V.
5. Which advertisement did you like most?
6. Which brand do you prefer? Why?
7. Which brand are you using now? Why? For how long have you been using it?
8. (a) Which brand had you been using earlier?  
(b) Why did you change over?
9. (a) Rank the following attributes in order of preference: Strength - Taste - Colour - Preparation time - Price - Packaging - Availability - Size of grain - Image of company  
(b) Which other attributes are important to you?
10. Give weightage (1 to 5) to various brands of tea with respect to given attributes.

Attributes	Tata	Taza	Taj A1	Lipton	Tiger C	Wagh Bakri	Somabhai	Jivraj	Hasmukh	Others
Strength										
Taste										
Colour										
Preparation time										
Price										
Packaging										
Availability										
Size of grain										
Image of company										

11. Which size of package do you prefer? 50-gram -100-gram - 250 gram - 550 grams - 1Kg. - 2 Kg.
12. What type of package do you prefer? Jar - Cardboard - Polythene pack
13. What is your monthly family consumption of tea in grams?



14. How many times do you take tea in a day?

15. At what times?

Time	House	Office	Brand	No. of cups	Remarks
Early morning					
Late morning					
Afternoon					
Late afternoon					
Early evening					
Late evening					
Night					

16. Which symbol would you like if it is used in an advertisement? Tiger - Goat - Lion - Horse - Elephant - Rabbit

17. Who buys tea for your home?

18. From where do you buy your supplies? Provision store - Grain shop - Tea shop - Departmental store

19. Which equipments from the following do you have? - Colour TV - B/W TV - VCR - Freeze - AC - Air cooler - Washing machine - Exercise Cycle - Water cooler - Water purifier

20. Name: \_\_\_\_\_

Age: \_\_\_\_\_

Sex: \_\_\_\_\_ Male: \_\_\_\_\_ Female: \_\_\_\_\_

Education: \_\_\_\_\_

Family income: \_\_\_\_\_ Rs. per month (Appr. in 1000's)

No. of family members: \_\_\_\_\_

Profession: Business - Service - Student - Housewife \_\_\_\_\_



## SAQ 6.1

List various types of questions that could be framed for collecting information for different products. Write them in separate sheet.

--

### Key components of a Market survey

Before we discuss how to estimate demand, we should study the following key components for designing a total marketing plan.

Introduction	<ul style="list-style-type: none"> <li>• End products</li> <li>• End users</li> <li>• Suitability and strength of selecting a particular product</li> </ul>
Product	<ul style="list-style-type: none"> <li>• Specifications, size, brand, packing, selling price, etc.</li> </ul>
Assessment of Demand	<ul style="list-style-type: none"> <li>• Class and type of consumers/clients</li> <li>• Patterns of consumption and frequency of purchase</li> <li>• Product life cycle and present status</li> <li>• Past demand pattern</li> <li>• Future anticipated demand projections</li> <li>• Buying criteria and influencing factors</li> </ul>
Supply Position	<ul style="list-style-type: none"> <li>• Current availability and production capacity vs utilisation</li> <li>• Present indigenous and imported supply sources, their price comparisons, service facilities, etc.</li> </ul>
Marketing Practices	<ul style="list-style-type: none"> <li>• Prevailing marketing practices <ul style="list-style-type: none"> <li>- Distribution</li> <li>- Packing/Forwarding</li> <li>- Credit Policy</li> <li>- Delivery, After sales service</li> </ul> </li> <li>• Selling price, taxation structure and commission patterns</li> <li>• Purchasing procedures, lead time and prevailing practices</li> </ul>
Own Marketing Plans and Strategies	<ul style="list-style-type: none"> <li>• Own market share of supply-demand gap</li> <li>• Strength and special services to be offered, if any</li> <li>• Possible clientele and likelihood of their buying from you</li> </ul>



## Problems in Market Survey

The main difficulty in a survey is inaccurate data.

Responses might be affected by:

1. Lack of interest of the respondent.
2. Inability to understand a question.
3. Status problem in giving the right answer  
e.g. "I use \_\_\_\_\_ toothpaste, "a person may reply even if he does not use it.
4. Safety: A respondent may not feel safe in giving the right answer. For example when asked "What is your income"?
5. Social Problem: A respondent may not give the right answer to a question related to the opposite sex or about problems related to his/her married life.
6. Bias for the interviewer or product or company:  
A customer may have had a bad experience with one product of a particular company, which may make him think that all products of that company are bad. He may even dislike the interviewer, his appearance, attitude or voice. Or he may not like the interview to continue for long.
7. Language Problem: In India the survey is conducted in English, many people may restrict their answers to "yes" or "no". This may not give a correct picture of the survey. If the interviewer does not understand this constraint, he/she may get wrong information.



# UNIT

## 4

### Contents

#### Chapter VII

1. Introduction
2. Deciding Product Strategy
3. Product Life Cycle
4. Deciding Pricing Prices
5. Channels of Distribution
6. Developing an effective Promotion Strategy
7. Importance of Packaging
8. How to do Branding?

#### The aim of this chapter is to:

- Explain the significance of adopting right product, price, place and promotion strategy.

#### Objectives:

On completion of this chapter, you will be able to:

- understand the relevance of product strategy
- understand the significance of product life cycle
- recognise the relevance of having right pricing, distribution and promotion strategy
- acquaint oneself with the utility of packaging and branding



## Introduction:

Marketing is all about understanding one's customer and offering differentiated quality products which satisfy their requirements. The market survey and market research help in understanding one's customers requirements, their tastes and preferences, the availability of substitute products, evaluating level of competition in the market and marketing offers of one's competitors. Based on this understanding an entrepreneur has to decide his marketing-mix strategy; what kind and quality of product(s) to be offered to which customer segment at what price and utilising which distribution channel and by resorting to which promotion policy. This chapter acquaints the entrepreneur with different possible marketing mix options so that an entrepreneur can take a right marketing-mix decision.

## Product Decision:

Product is one of the most important parts of a marketing mix. It provides the functional requirements (value) which the customer is interested in getting. Customers get convinced about dealing with an enterprise because they believe that its products would satisfy their requirements. In the entire ambience created around marketing one should not forget that a customer wants a product/service which would satisfy his/her requirement.

In the users parlance products are distinguished as consumer product and industrial product. *Consumer products* are meant to satisfy individual consumer's needs and therefore purchased by individuals. On the other hand industrial product is used to manufacture other goods and services. It is basically used in the industry. Sometimes same products can be categorised as consumer or industrial product depending on its end usage. Computers are bought by individuals for personal use. Organisations also buy the same product to facilitate their operation. Consumer product and industrial products are marketed differently. They are marketed to different target markets and use different promotion, distribution and pricing strategies.

Consumer products are further classified into different sub-categories depending on how much effort or how much time is put in taking a purchasing decision for a product. *Convenience goods/ products* are generally inexpensive and require minimal shopping effort. Customers do not shop extensively for such a product. They buy regularly without much planning. Soap, detergents, toothpaste, soft drinks etc. are products of this category and also commonly known as fast moving consumer products. *Shopping goods/ products* are generally more expensive and found in fewer retail outlets. Customers take a purchase decision after comparing several alternative brands, their price, features etc. They spend time and effort to select one product out of other alternatives. Some of the products which fall under this category are refrigerator, television, furniture etc. The decision to purchase a particular brand is based on individual assessment of the merits of the brand. These are otherwise called consumer durable products. *Speciality products* are those for which customers have a strong brand preference. They at times travel long distance to buy their favourite brand or outlet selling them. Substitutes are rarely accepted in making a final buying decision. Jewellery, designer watches, quality cars etc fall in this category.

A *product line* is a group of product items or brands that are closely related in terms of their functions and benefits. One of the largest consumer products manufacturing company has

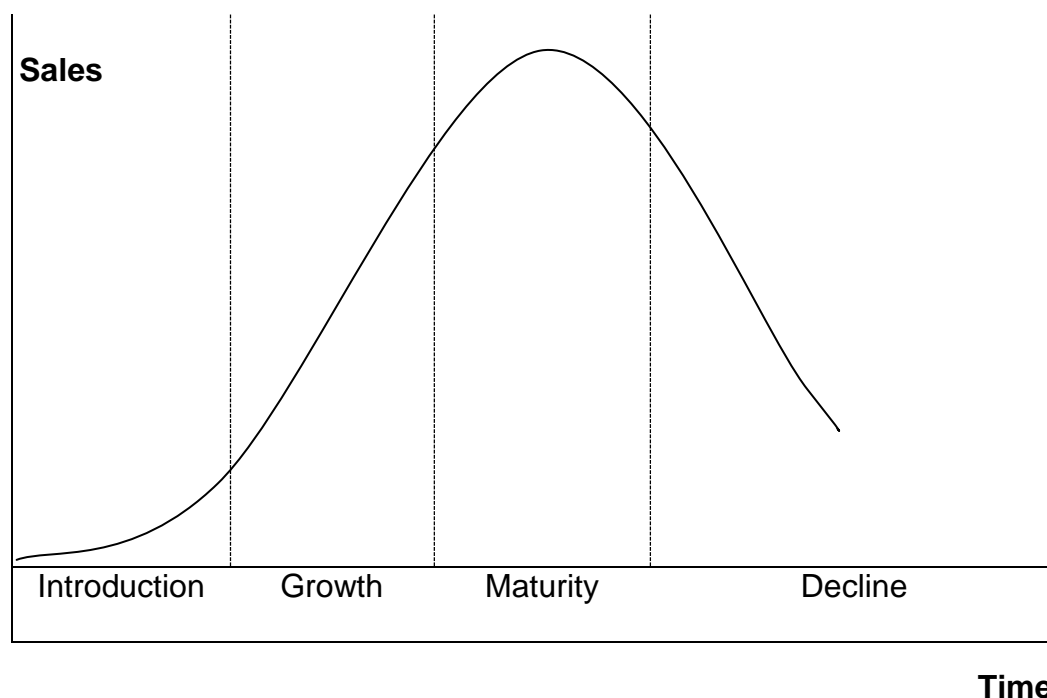


personal care and packaged food as their product lines. Britannia has biscuits and confectionary as two distinct product lines.

### Product Life Cycle:

Any product is supposed to go through a definite cycle in its lifespan. First is *introduction* wherein the product is introduced in the market. In this stage, sales growth is low as customers are not much aware about the product and also not so sure about their usefulness. Enterprises invest in development and promotion. Then comes the *growth* stage wherein product experiences faster sales, profit grows and there is rapid acceptance of the product in the market. This stage comes only when customers accept the brand and develop interest in possessing it to satisfy their requirements. Any enterprise would expect that the growth stage continue unabated and it reap the benefits of increasing customer's acceptance and higher sales. But in reality intensity of growth gradually slows down and product gradually enters the next stage which is called the *maturity* stage. In this stage potential customers have already bought the product and the market gets increasingly saturated. Sales are primarily driven by replacement purchases and growth in population. Product sales achieve its peak. Then comes the most un-cherished *decline* stage wherein sales and profits both decline as a result of changes in customers tastes and preferences or change of technology and product obsolescence.

### Product Life Cycle



Different products have different product life cycles. An intelligent entrepreneur would adopt different strategy in different stages in the product life cycle and try to reap benefit of the product growth stage, try to prolong it as much as possible and delay, to the extent possible, the maturity stage and take an early product withdrawal decision in the decline stage.





### Pricing Decision:

Price is the value an enterprise can expect to get from the customers in return of the product/service it is offering to the customers. The other three marketing –mix elements like product, place and promotion incur cost and price is the only mechanism to recover the cost and earn reasonable profit in the process.

Profit = Revenue (unit sold x market price) – Cost (unit manufactured x per units cost of manufacturing)

An entrepreneur should know how much to charge for a product because both undercharging and over charging will have a detrimental effect on profitability. It is important to remember here that price should not be treated in isolation and in fact it should be considered as a coherent element of marketing mix strategy and should serve a superior customer value. Price is also part of positioning strategy as it sends cues to the customers about its quality.

Setting the right price for a product is a difficult proposition and price vs quality perception of individuals vary largely. Many internal and external factors should be taken into consideration while deciding the price. The bottom line for deciding a product price is that, at least in the long run the cost should be recovered and also leave space for earning profit. The price should be low enough to attract a customers and high enough to fetch reasonable profit to the manufacturer. The pricing strategy should also gel with the positioning strategy as charging low for a premium brand may erode its brand image.

One of the most popular pricing strategy is called the *cost plus pricing strategy*. In doing so, an enterprise adds up its total cost (manufacturing, marketing etc.). Then expected profit margin is added to arrive at the final market price. Here variable and fixed costs per unit is summed up and also the expected profit margin added to the total cost. Here the price is true for a given volume of sales output. However, if sales go down the per unit fixed cost shoots up and creates a pressure on the final price. Here an enterprise makes an estimate how many pieces it would be able to sell in the market. This kind of pricing principle has an internal focus and takes care of internal cost with scant regard to customers' price perception or willingness to pay.

Another way of deciding the market price is *going rate pricing strategy*. Under this approach an entrepreneur take a note of the different products which are available in the market and which can be called a close substitute of the intended product. He/she observes what are their market prices and how much customers are willing to pay for obtaining such products. After carefully evaluating this, the entrepreneur decides market price for his/her product. While deciding the final offer price he/she basically tries to make as estimate of the going rate or prevailing rate and thus it is called a going rate pricing strategy. Here an entrepreneur makes an subjective judgement of the pricing options. Here it is assumed that the products are more or less undifferentiated and therefore prices could follow the going rate.

Under *market skimming pricing strategy* initial price of the product is set high with a view to skim the cream of the market. It is generally associated with a high expenditure on promotion. This pricing strategy is generally adopted when the product is completely new and innovative, enterprise spend lot of money in developing the product and there is no close substitute in the



present market. The heavy investment in promotion also is expected create good demand in the market. The objective is to book maximum profit till a substitute product is launched in the market. The high price also facilitates market segmentation. Later on, the enterprise can decide to lower the price to tap the mass market. For example goodnight set a high initial offer price when it first time introduced mosquito repellent 'mat' in the Indian market.

*Marketing penetrative pricing strategy* is the strategy of entering the market with a low initial offer price. The objective is to capture a greater share of the market. It is assumed that lower price will attract large number of customers and the enterprise would make profit out of the sales volume. Thus one may turn to a penetration strategy with a view to achieve economies of scale. Penetrative pricing strategy is adopted to discourage competitors from entering the market.

Customers might take price as an indicator of quality particularly for products where objective comparison of quality is not possible. If the product is priced higher the instinctive judgement of the customers is that the quality of the product is good, unless he/she can subjectively justify otherwise. Perfume is one such product where objective judgement of the quality is difficult.

In *perceived value pricing* the enterprises gives the product to the customers and asks them to use it for some time. Then it takes opinion of the customers about the quality and price perception. The enterprise tries to understand what kind of quality-vs-price perception the customer exhibit about the desired product. After collective feedback of the customers, the company decides the final offer price. Price is decided based on the subjective judgement of the customers' price vs-a-vis quality perception; or otherwise how much value the customers associates to a product with respect to its quality. This is a forward looking pricing strategy wherein the customers opinion or perception is taken before finalising the offer price.

There are enterprises which prefers to extend their product line rather than reducing price of existing brands in face of fierce price competition. They launch cut-price fighter brands to compete with low price competitors. In doing so the enterprise tries to maintain image and profit margins of existing brands. By offering range of products/brands at different price points, enterprise can target varying price sensitivities of the customers. Companies resorting to this kind of strategy are basically popularising the *product line pricing strategy*.

Before finalising the pricing strategy an enterprise should take into consideration the following factors;

- a. Ability to cover cost of manufacturing plus the profit margin
- b. Price sensitivities of the customers
- c. Quality perception of the customers
- d. Level of competition in the market
- e. Availability of substitute products and
- f. Objective and long run strategy of the enterprise.



## Distribution:

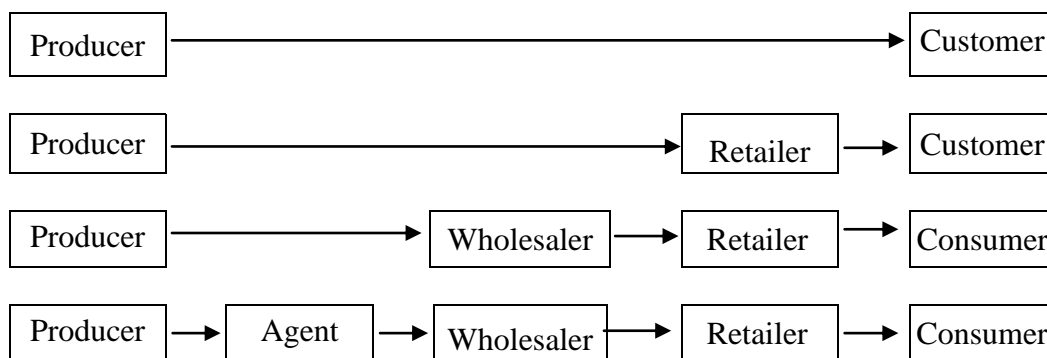
For an enterprise it is not only important to manufacture a product but also to ensure that the product is made available in adequate quantities, in a convenient local and at a time when the customers want to buy it. Distribution channel members are those intermediaries who facilitate distribution of the products from the manufacturer to the customer. Alternatively, channels of distribution is the means through which the products are moved from the manufacturer to the customers. The enterprise has to take into consideration not only the requirements of the final customers but also the need of the channel members.

Channel members serve couple of specialised functions to enable manufacturer to make the goods available to the customers at the right place, time and convenience. A manufacturer produces large quantities of a limited range of products wherein the customer wants limited quantity of large range of products. Channel members reconcile these conflicting objectives. An agent or a wholesaler buys large quantities of a product from a manufacturer and sell small quantities to the retailers. Manufacturer can produce large quantities and customers could choose small quantity from a range of products at a point of purchase.

Distribution channel has several advantages. It improves efficiency by reducing the number of transactions and creating bulk for easy transportation. Small producers can benefit by selling to intermediaries who then combine a large number of small purchases into a bulk and for cost-economic transportation. It helps in improving distribution efficiency. Location and time gap between manufacturer and customer need to be bridged with utmost efficiency. Location gap emanates from geographical separation of manufacturer and customer. The channel members also provide specialised services in areas like selling, servicing, installation etc. Manufacturers concentrate on production and leave these important functions to be performed by the distribution channel members.

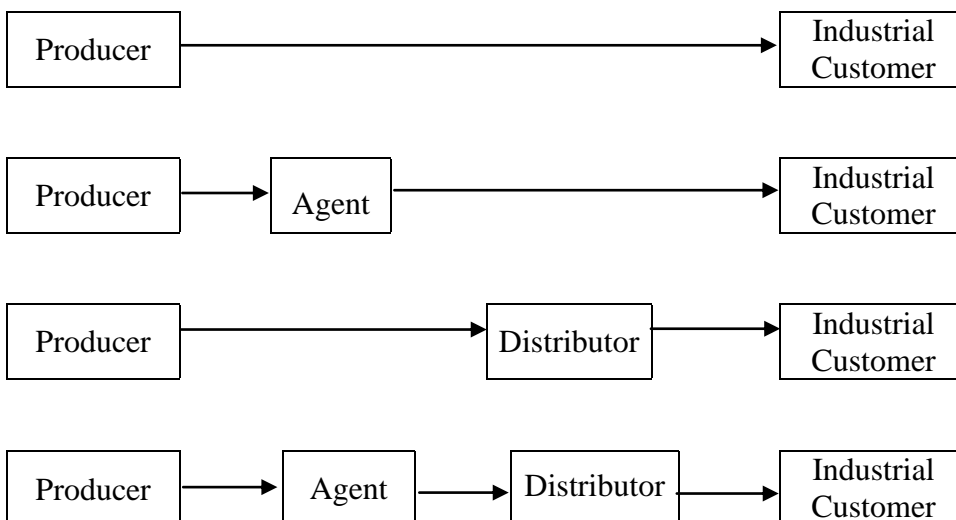
The following diagram depicts the possible distribution channel for the consumer and industrial products.

### Distribution Channels for Consumer Goods:





### Distribution Channels for Industrial Goods:



In cases where manufacturers sell directly to the customers is called *direct marketing*. In the channel selection process an enterprise has to consider factors like market and customers, its own position, offer product and competitive environment. An enterprise has to adopt a prudent strategy for selecting a typical distribution channel. It must take into consideration factors like availability of channel members, buying patterns, location of the customers, enterprise's own ability to serve the customer etc. Financial resources of an enterprise may also affect the channel selection. For a small entrepreneur it may be wise to select direct marketing not only due to financial constraint but also due to the fact that direct selling and interaction with customers could help them in getting customers opinion on various product parameters and price. It helps them in understanding and making necessary changes in product attributes to suit the requirements of the customers. The nature of the product affects the efficiency and responsiveness of the channel members. Perishable products require faster mode of reaching customers, technology intensive products require responsive supply chain which may not be true for FMCG products.

Therefore, an entrepreneur has to devote time in deciding right marketing channel for his/her products. Other factors which he/she should also be considering here are warehousing, transportation, material handling etc.

### Promotion:

The next thing which a marketer should concentrate is promotion of the product through various means. An enterprise could select sales promotion, word-to-mouth publicity or advertisement to communicate the benefit of its products/ services to the target customers. The crucial issue is how an enterprise use different communication or promotion methods holistically so that the message is properly registered in the customers mind. Many a times a prudent mix of communication methods registers in the customers mind. The challenge here is to develop the right mix of communication. The basic purpose of making promotion is eliciting desired response from the target customers.



One of the strategic decision in the area of promotion is to select the right methods among the three possible alternatives; advertising, personal selling and sales promotion. *Advertisement* refers to non-personal message transfer by employing mass media; radio, TV and print media. *Personal selling* refers to face to face interaction between sellers and customers. Since it is face to face, there is added advantage of two-way communication rather than one-way which is a case with advertisement. The other forms of communication with the customers except advertisement and personal selling are grouped as *sales promotion*. Samples, discounts, demonstration, exhibit, incentives, point of purchase (POP) material are all sales promotion devices. There have been new ways of communicating the product benefits to the customers like telemarketing, product demonstration etc.

### **Personal Selling:**

Personal selling represents a transaction situation in which two persons communicate in an effort to convince the other. In this situation both buyers and sellers have specific objectives they want to accomplish. They buyers would like to get a quality product at a minimum cost and the seller wants to materialise sales, while gaining customers confidence and maximising profit. Presentation to a target audience with the objective of making sales is one such traditional personal selling approaches. Through face-to-face, telephonic; personal selling attempts to persuade the buyer to take a purchase decision. In the present situation almost everybody gets some personal selling calls either from credit card companies, mutual fund etc. More recent notions on personal selling talks about the relationship the seller is able to develop with the target customers.

Personal selling is a low cost market promotion possibility and it had an added advantage of personal one-to-one communication. One can know the personal requirement of the customer and could get their feedback/ opinion on quality, brands etc. It is generally accepted and suited to a small enterprise.

### **Sales Promotion:**

Sales promotions are incentives to customers designed to stimulate purchase. Sales promotion reminds the customers about the time period when then could expect something extra than the normal circumstances. In a typical market situation enterprises reduce offer price for a limited period or offer more quantity with the same price tag, offer one free with two purchases etc. One has to offer sales promotion schemes in a way that the customers do not start equating with low priced brands. Sales promotion is quite common now a days and it is offered for a limited period of time. It is often done to clear remaining products, odd lots. Several FMCG and consumer product companies offer sales incentive for a limited time period. The objective is to trigger sales within a particular time span.

### **Advertisement:**

Advertisement is a form of paid communication in which the enterprise or the sponsor is identified in the media. Traditional media like television, radio, print media etc are commonly used by larger manufacturers. One of the primary benefits of advertisement is that it can communicate the message to a larger audience at a point in time. Internet advertising has become



one of the most effective media of communication today. However, advertisement is a costly proposition which first generation or new enterprises try to avoid. Once an enterprise grows, its operation spreads, and products gets established in the market it can think of promoting its brands through conventional medium of advertisement.

The other commonly used ways of product and/or brand promotion are;

- Participation in exhibition or trade fairs
- Word-to-mouth publicity

While selecting the promotion alternatives one should keep in mind that promotion can perform the following tasks;

- Inform the target customers
- Persuade the target customers and
- Remind the target customers

The particular promotion mix chosen by an enterprise for promoting a product or service would depend on;

- Nature of the product
- Target market characteristics
- Buying decision process of the customer
- Availability of financial resources etc

Often marketer would try to accomplish two or more tasks simultaneously. The ultimate objective is to influence the customers so that eventually he/she take a decision to buy.

### **Branding:**

The success of a product depends on the ability of the target customers to distinguish it from other competing products. *Branding* is the process through which enterprises distinguish their product offering from their competitors. A *brand* is the name, symbol or a combination thereof that helps the customers differentiate one product from other competing products. A *brand name* is the part of the brand that can be spoken for example SX4. A brand is created by developing a distinctive name, symbol and evoking customers' expectation about the product. By developing unique identity branding permits customers to attach prestige with the product and shapes customers' perception about the product. Customers starts developing confidence/ loyalty to a particular brand and buying it reduces his/her risk perception and eases purchase decision. Successful branding boasts customers confidence, facilitates higher sales, ability to charge premium price.

Successful branding has the benefits like product identification, product sales and repeat purchase. The term *brand equity* refers to the perceived value of the brand. A brand that has high awareness, perceived value, brand loyalty amongst customers, it is said to have high brand equity. Brand equity is created not only on the basis of the quality of the product but also the



enterprise manufacturing it. The term *global brand* refers to brands wherein 20% or more products are sold outside the home country.

One of the best ways of ensuring repeat sales is fulfilling customers satisfaction. Branding helps customers to purchase the typical product amongst the alternatives. Brand loyalty reflects consistent purchase decision from the part of the customers. Brand loyal customers do not generally switch over to competing brands. Some of the popular brand which has established strong brand loyalty are Surf Excel, Nirma, Colgate, Indica, Raymonds, Sony, Tata Gold, Panparag, Goodday, Leys etc.

A small enterprise should market their products after deciding the brand name. Brand building takes time, but once done, it can fetch long term benefit to the marketer.

### **Packaging:**

Packaging is an important thing which an entrepreneur should keep in mind. It serves one of the most critical function i.e., maintaining the product in its original form and shape. Various products pass through different distribution channels and there is added load of transportation. It is therefore imperative that efforts are made to maintain the original configuration of the product, maintain its quality so that customers get the product in their desired form and shape. Packaging also serves as a promotion tool and enterprises try to make it attractive so as to attract target customers. It adequately displays content of the product, the benefits, USP etc. Some of the most important functions of packaging are;

- Protecting the product and maintaining originality
- Promoting the product
- Facilitating storage, usage and convenience

As indicated above, the most important function the packaging has to perform is maintaining the originality of the product be it solid, liquid, granular or otherwise. Physical protection of a product is very important as it may have to pass multiple channels of distribution. One has to take special care for packaging and handling perishable products. These products are generally packed in tetra pack, glass bottle etc.

The other issues which have become increasingly important now a days are recycling characteristics and environment protection. The entrepreneur has to ensure that the packaging material is environment friendly and can be recycled.

To conclude, one can argue that an entrepreneur should see that his/her products are packaged properly, in true sense of the term packaging.



### SAQ 7.1

- a) What are the different stages in Product Life Cycle (PLC)?
- b) How to decide Price of a product?
- c) What are the different distribution channel options an entrepreneur can have and how to select them?
- d) How to Promote a consumer product?
- e) Explain the significance of Branding.





# UNIT

## 4

### Contents

#### Chapter VIII

1. Demand measurement
2. Methods of estimating Future demand
3. Example
4. Errors and Precautions
5. Recapitulate

**The aim of this chapter is to:**

- explain to you the techniques and methods of estimating future demand.

#### Objectives:

This chapter will enable you to:

- estimate the future demand using the demand measurement tools
- acquaint you with errors in demand estimation
- facilitate you in understanding the precautions to be observed

Once you have carried out a survey, you have to use the data for forecasting demand. You have to take into account various factors for estimating the future demand. This chapter will tell you about the methods of estimating the future demand



## **Introduction:**

Generally you should start with a quantitative assessment of the market and study what motivates customers to buy. These quantitative analyses can be used for preparing quantitative estimates. This conversion is known as Demand Measurement.

Demand can be estimated at-

### **The Product Level:**

- How many TVs are sold?
- How many Videocon TVs are sold?
- How many Videocon B/W TVs are sold?
- How many Videocon colour TVs are sold?

### **The Geographical Level:**

- What is the sale in India?
- What is the sale in Gujarat?
- What is the sale in Ahmedabad?

### **The Time Level:**

- What could be the demand next year?
- What could be the demand in the next 3 years?
- What could be the demand in the next 10 years?

From the above information you can get the demand measurements for Videocon TV at different levels. This information will help a producer to plan his business activities.

## **Methods of Estimating Future Demand**

Many methods may be applied for demand forecast. Whatever method you apply, the forecast is based on any of the following:

- (1) What people say
- (2) What people do or
- (3) What people have done.

There are six methods for collecting information on the above three factors. 'What people say' is a systematic determination of the opinions of those involved in the buying process. There are three alternative methods of knowing these opinions:

- (1) Survey of buyers' intentions



(2) Composites of salesforce opinions or

(3) Experts' opinion

There is one method to know what people do:  
Putting the product to a market test

To know what people have done, you may have to use mathematical and statistical tools and records of past buying behaviour. There are two main alternative methods of collecting this information:

(1) Time Series Analysis or

(2) Statistical Demand Analysis

Analysing the information:

The next step in the marketing research process is to extract relevant findings from the data. The data can be tabulated and the major variables taken into consideration.

Presenting the Findings:

We have already discussed primary data collection which involves listing information requirements, formulating a sample plan, designing a questionnaire and collecting information accordingly. We can use the same approach to understand what the buyer thinks of a product or a brand.

(1) Survey of buyers' intention:

In this method you contact customers directly and ask them about their future demand for your product. You try to know what their intention is for buying your product. In this method you should be practical in asking for information and should understand the psychology of a customer.

(2) Composite of salesforce opinion:

(Sales people involved in selling similar products)

In this method, salesmen are the main source of information in order to project the future demand. The method, however, has the limitation of personal bias.

The method becomes successful if the salesmen

- (1) are knowledgeable and give correct information,
- (2) are cooperative,
- (3) are unbiased, and
- (4) actively participate in the survey.

This method is useful for established organisations, which have sales people. For a new entrepreneur, this method is useful if he/she gets information from an established organisation.

### **Experts' Opinion:**

To know the future market, you can take the help of dealers, distributors, agents and experts in the field of sales forecast. For example, if you are planning to manufacture a special type of



machine for medical examination, an expert in marketing medical equipment can provide you with valuable information.

With this method, forecasts can be quick and economical. This method is more reliable for total forecasting than developing reliable breakdowns by territory, customer group or product/services.

### **Market Test Method:**

When buyers' buying pattern is complicated or not steady, the market test method can help in forecasting the future demand. A direct market test is desirable especially in forecasting the demand for an established product in a new territory. A product is introduced to the market and the behaviour of customers is observed.

### **Time Series Analysis:**

When other methods are expensive, the time series analysis method is used to know the future demand. In this method, the past data are collected. These may be the records of last year or last 10 years or last 15 years. With this method, the trend, cycle and season are studied. On the basis of these three, the future demand is established. The recent sales figures are given more importance in this method.

### **Statistical Demand Analysis:**

When different factors affect the market, the time series analysis does not help much. It is more desirable to discover the direct relationship between sales and real demand factors. Several factors affect sales but the main factors like price, income, population and promotion need to be considered for demand analysis.

For this analysis various questions such as the following are put forward:

What will be the demand if there is recession?

What will be the demand if the advertisement frequency is increased by 20%?

What will be the demand if the price is reduced by 10%?

The statistical demand analysis is useful to those entrepreneurs who want to establish large scale units. For small scale entrepreneurs this method may not be ofcourse required.



### Example

In the following example, one entrepreneur wants to go in for ice-cream manufacturing at the local level. He has the following details of the varieties of ice creams that are consumed in his area by 100 people.

Variety	Cost per cup	Market Price per cup	No. of buyers	Total Revenue	Total Cost	Profit	% of Total Cost
A	Rs. 4	Rs. 5	50	Rs. 250	Rs. 200	Rs. 50	25%
B	Rs. 6	Rs. 8	20	Rs. 160	Rs. 120	Rs. 40	33%
C	Rs. 7.5	Rs. 10	18	Rs. 180	Rs. 135	Rs. 45	33%
D	Rs. 9	Rs. 12	7	Rs. 84	Rs. 63	Rs. 21	33%
E	Rs. 11	Rs. 15	5	Rs. 75	Rs. 55	<u>Rs. 20</u>	36%
						Rs. 176	

With the help of this data the entrepreneur will understand that it is better to go in for categories A, B & C at the initial stage. But an established company will try to push the demand for E category because by selling that ice-cream to one customer, it gets the same profit from selling A category ice-cream to 4 customers.

### Errors and Precaution

It is important to note that an EDR is not a foolproof technique. There are errors which you or anybody else could make. But guard against these. Let us try and discuss some of the likely errors:

**1. Imperfect Information:** Incomplete, inaccurate or stale information is a major problem. There are entrepreneurs who believe that the information published by the government is sacred. Not necessarily. The government often collects information in an inefficient manner. Besides, it is also dependent on those who give (false or inaccurate) the information. So, always make it a point to compare notes with a few knowledgeable persons if you are in the slightest doubt about the authenticity of critical information.

**2. Population Theory:** Many entrepreneurs convert market study in a population-based numbers game. For instance, you want to launch a kitchen-gadget in Baroda in Gujarat. So you find out the number of households, the proportion of well-off households and then estimate the potential. This is too simplistic. How strong is the need for such a gadget? What are the ways in which the need could be fulfilled? These and many such questions are relevant to determine the market prospects. So do not neglect such questions because of your preoccupation with the numbers game.

**3. Technical Co-efficients:** You are doing a study on jelly filled telephone cables (JFTC). You know how many connections will be installed in India in the next few years. (fibre optic is replacing some amount of JFTC.) There are experts who believe JFTC requirement is to be 9 core kms per connection. There are others who put it at 7.5 core kms. per connection. Your



findings for market potential will depend on which co-efficient you accept. It is sometimes difficult to decide. Use range in this case.

**4. New existing Products: Inadequate Knowledge.** New or innovative products, in most instances, either seek to fulfill some needs not presently satisfied, or offer a substitute for the prevailing products. Your knowledge of product features, technical superiority or potential cost saving associated with such products could at times be based on limited exposure / experience. There are "snags" (difficulties or obstacles) in the case of such products, which are either camouflaged or played down or genuinely overlooked. A market study, overloading such "snags" is bound to indicate favourable market position. Examine this example. An enterprise for manufacturing precast reinforced cement concrete structure was launched in India in mid 1970s. It failed due to the following reasons:

- \* It intended prevention of cement stealing and hence became unpopular among dishonest government officials.
- \* It required lift and shift transport infrastructure which was not available. In fact, these structures could not be transported through the narrow lanes so common to Indian towns.
- \* It called for standardisation of elements of building construction, whereas, the Indian construction industry thrives on variety.

**5. Promotion Oriented New Product:** There are new products and services, particularly consumer products and services, for which demand has to be created. These aim at creating needs not yet actually felt, (or which are felt only by a few) but which, once satisfied through novel means, tend to grow. For instance, there has been a 25 fold growth in the number of courier service agencies during the last decade (while economy during the period has grown by less than 50%). There are food, clothing and such other products for which demand must be generated through promotion. In case of such products, it is difficult to forecast market response through a conventional market study.

**6. Supply Position: A Twilight Zone.** It is possible to make a demand forecast for a given product / service. But it is not so easy to arrive at a supply forecast. This is primarily because it is difficult to estimate how many new entrepreneurs will enter the product line or how many existing enterprises will expand their capacity. The problem is critical, especially in the case of small enterprises since implementation time is fairly short. Not a single rigid polyurethane foam enterprise existed in India till the early 1980s. But ten units came up in a matter of three years and the supply far exceeded the demand. The decisions of entrepreneurs or the decisions of agencies giving credit are not always strictly rational and hence the phenomenon of a particular product line being overcrowded with suppliers. Market study does not provide a solution to this problem. However, if demand supply gap is very large, an entrepreneur can reasonably hope not to be hurt badly by the new entrants in the short run. Likewise, if an enterprise can entrench itself firmly in the market in its initial years, it may not suffer loss on account of new entrants.

**7. Excessive Analysis: An Avoidable Problem.** You must also remember that it is possible to carry any analysis to extremes. Such analysis often causes "analysis paralysis" (confusion rather than knowledge). Market research for new enterprises is not an academic exercise. An



entrepreneur may be satisfied, in many cases, with + 20% estimate of demand. The objective is limited to satisfying himself or herself about the market prospects rather than arriving at the most accurate demand forecast. The market exercise must be completed within a specified time and it must be borne in mind that you have limited financial resources to accomplish it. Therefore, you need to have a balanced market study perspective.

**8. Uncertainty: A Fact of Life.** There are imponderables and so you must learn to live with some uncertainty over market prospects. A law and order problem can destroy tourism prospects. A bad monsoon leads to economic shock waves. So remember that the purpose of the study is to provide you a normal, likely picture rather than a guarantee about market prospects.

### SAQ 8.1

Write in brief why you need to compute market share and trends in demand.


### Recapitulate

Please make sure and remember the points given below:

- It will be difficult for you to do business without the knowledge of market demand.
- Quantitative measurements help you plan your marketing programmes
- You must be clear about the difference between market demand and company demand.
- You must measure the present and future demand.
- The present demand can be projected for future periods of time with the help of market observation or statistical analysis.
- For future demand six methods are used:
  - (a) Buyers' intension survey
  - (b) Salesforce estimate
  - (c) Expert opinion
  - (d) Market tests
  - (e) Time series analysis
  - (f) Statistical demand analysis
- Mostly, manufacturers can improve forecast accuracy by increasing investment in data collection and/or better methods.
- The expense incurred on survey should be result oriented.



You, as an entrepreneur should try to know whether you would be able to enter the market so that you could make profit. If you cannot compete with the present market, you should try to find what changes you should make in the product or service so that you can have a new segment of the market. For instance, there is tough competition in the ball pen market. If you want to enter the market, you may have to manufacture a ball pen with some new features or go in for expensive ball pens, which can be sold as gift articles.

### SAQ 8.2

List various methods of estimating future demand; write a line on each of these methods.





# UNIT

## 4

### Contents

#### Chapter IX

1. Introduction
2. What is Rural Marketing?
3. How it is relevant for an Entrepreneur
4. Things need to be considered in Rural Marketing
5. How to develop an effective Rural Marketing Mix Strategy?

**The aim of this chapter is to:**

- Explain the concept of Rural Marketing and how understanding rural market could be beneficial.

#### Objectives:

On completion of this chapter, you will be able to:

- understand the rural marketing concept
- appreciate the scope of targeting rural market
- develop an effective marketing mix strategy for targeting this market



## Introduction:

The increase in agricultural output due to greater area coverage, higher crop production and yield and the growth of the non-agricultural sector have contributed in increasing income and purchasing power of the people. If we compare the income level of the people living in rural area in the present time vis-à-vis ten years ago, we see that there has been marked improvement in the income and standard of living. The following table gives an indication about the increasing income level of the people living in rural India.

### Rural Markets : Macro Scenario

Consumer Class	Income Groups	1994-95	2006-07
Very Rich	Above Rs 215,000	1.6	5.6
Consuming Class	Rs 45001-215,000	2.7	5.8
Climbers	Rs 22,001-45,000	8.3	22.4
Aspirants	Rs 16,001-22,000	26.0	44.6
Destitute	Rs 16,000 & below	61.4	20.2
Total		<b>100.0</b>	<b>100.0</b>

*Projections based on 7.2% GDP growth*

*Source: NCAER*

This along with the fact that more than 70% of the people in India live in rural areas, one should not neglect the prospect of rural marketing in the Indian context. As a matter of fact, the urban market is getting more and more saturated and there is tremendous influx of companies trying to push their products here and thus creating fierce competition. It therefore, would be prudent for an entrepreneur to think about rural market while deciding the marketing strategy for his/her enterprise. However, mere appreciating the need would not suffice the purpose. What is needed here understanding the rural consumer and the rural market and devising a customized strategy to tap the huge potential of rural marketing.

### Defining Rural Marketing:

In the words of C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan Rural Marketing can be defined as under;

“Rural Marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living to them and thereby achieves the goals of the organization.”



While pursuing rural marketing one should acknowledge that the rural market is widely scarred, it is heterogeneous, the tastes and preferences of the rural folk differs from urban customers and also varies from one place to another, there are problems of transportation, communication, infrastructure condition may not be good, there are issues of remoteness and isolation. But all these entail one side of the story. The other side which could interest a marketer is growing rural population, increasing income especially disposable income, better standard of living, less inhibited areas from the point of view of market competition. Even some marketers think that the brand loyalty of the rural customers is more persistent; once they get convinced about a product/brand they do not generally switch over. Lastly one could argue that a marketing strategy can certainly not be called 'inclusive' if it does not cover (more than) 70% of the Indian population.

What is needed here is appreciating the marketing opportunities in rural India, targeting the rural population, devoting time in understanding the rural customers and developing a comprehensive rural marketing strategy. The marketing approaches which may be successful in urban market may stand in-effective in the rural context.

Enterprises face many challenges in tackling rural markets and one of them is understanding rural customers. One must remember that one of the basic tenets of marketing is understanding your customers and in reality many enterprises have faltered on this basic issue.

### **Understanding Rural Consumer:**

One should acknowledge that rural customers are fundamentally different than their urban counterparts and there is considerable heterogeneity amongst rural areas. A rural consumer in Kerala may display different characteristics than consumer in Bihar or Assam. The purchase decision making process of the rural family is different than an urban family. In urban household children and spouse have a considerable influence in purchase decision of many household items where in rural setting women hardly take part in purchase decision making process. The tastes and preferences of the rural customers are quite different that the urban customers. Rural customers generally prefer to have smaller size pack and are less experimentative in terms of trying out new products. But once they are convinced about a product/brand they become long term customers.

### **Products & Prices:**

Product usage is generally different in rural areas necessitating product, design modification. For example, rural people are used to cook food in sitting condition and therefore utensils or pressure cooker having handle in both side to ease lifting is mandatory. Drying clothes has never been a problem for a rural household; therefore, washing machine without dryer could be a worth pursuing product.

The rural customers are more price conscious and price sensitive than an urban clientele. Therefore, enterprises look for offering small pack, packs which offers value for money product. There are 'n' number of companies offering sachet pack, coin pack (Rs. 1/-, Rs. 3/- Rs. 5/- etc.). This not only attracts a new customer but also ensures repeat purchase. By innovating and



adapting new products and promoting the product benefits to the rural customers one can not only create new market for his/her products but also help in expanding the market itself.

Packaging should also be given due priority. Package should be sturdy enough to withstand bumpy journey in uneven roads. One should not use paper or cut-board as packaging material for products stored in kirana shop because their stores often inhibited by rats and mousses.

### **Distribution:**

Product distribution is one of the most problematic areas in rural marketing and this acts as an hindrance factor for many first generation entrepreneur. The remoteness of the areas, distance factor, transportation factor all add up to increase worry of a marketer. In the absence of shopping malls and superstores one should rely more on convenience stores like teas and cigarette stalls, kirana shops, small groceries, small format retail outlets for product marketing. The vehicle carrying products in rural areas should be smaller in size and should have capability to withstand bumpy roads. Mobile kiosks and van have come handy in spreading the point of sales in 3000 plus population villages. One has to take special care for transporting perishable products in remotest of areas. Moreover, arrangement for proper warehousing and storing have to ensured in such cases.

### **Communication & Promotion:**

In the context of the rural customers the mass media can help in creating awareness and interest but may not be sufficient in influencing a purchase decision. There more effective ways of communication could be demonstration, one-to-one communication, face-to-face interaction etc. Several companies now a days organize product demonstration during events when large number of people congregate in one area. Haat and Mela are the events when people comes to visit with a buying mode. Here product demonstration could help in communicating the benefits of the product, how to use it and value the consumer would derive; and ultimately enable the visitor to take a purchase decision. Couples of pharmaceutical companies are found to organize 'free health check-up' in villages during haat and mela. This gives them a platform for product promotion. Outdoor media like wall paintings with high visual content could be effective in rural areas.

With the increasing penetration of IT and IT related services companies are creating virtual bazaar, portals for agricultural products. Some of the notable ones are ITC's e-Choupal, and Dairy Portal by Amul. There are 4000 e-Choupals set up by ITC cover 20000 villages in 4 States provides a forum for selling products like coffee, wheat, soya bin, etc. Here middlemen are eliminated and farmer and ITC can transact directly.

In order to be successful enterprises have to adapt their product and marketing mix to suit their rural customers. Selection of product, with requisite attributes, and deciding the right pricing is of paramount importance. Going by the principle 'product which are seen are the ones which most likely to be marketed', one has to take note of availability and accessibility. Parle-G and Clinic Plus are most popular brands in rural India, thanks to core product benefits, intelligent pricing, and deep distribution channel.



### **A. C. Nielsen Study:**

Differences and variations in climate affect the demand for some products. For example, talcum powder and deodorants sell more in the hot and humid parts of South India. The severe winter in North India leads to higher demand for Chyavanprash during this season

#### **Development levels**

In east India, the poor electricity infrastructure aids sales flashlights, batteries and mosquito coils. For products like chocolates, butter and ice cream, refrigeration facilities are essential.

**Differences in food habits** help identify gaps in the product portfolio and points towards developing alternative products and promotion strategies.

People in, South India, extend their preference for the coffee taste even to toffees.

Identifying regions with supply gaps helps markers to priorities their efforts.

In Eastern India, low milk availability aids sale of milk powders?

Water scarcity in areas like Tamil Nadu leads to increased sales of packaged drinking water.

#### **Cultural differences and profiles of people**

People in north India tend to have large households, hence their preference is for large economy packs. In South India, small packs sell more as the household size is smaller.

Traditional ways of thinking and cultural habits aid sales of herbal/natural products & and affect sales of colour cosmetics.

Outgoing, image-conscious people in north India buy more high-end colour cosmetics.

Source: The Rural Making Book by Pradeep Kashyap & Siddhartha Raut. (2007)

The Indian rural market is fascinating and challenging at the same time. It offers enormous potent on account of its sheer size and growth pattern. Going by the rationale of huge untapped market, enterprises should not much think about sharing rural market pie; rather make attempt to increase the size of the market itself. Awareness, campaign and promotion could be effectively designed in this context. There are enough reasons to assume that next big marketing revolution would happen in rural India and therefore enterprises should prepare themselves accordingly. 'The Fortune at the Bottom of the Pyramid' (C K Prahalad, 2007) should be prudently explored and utilized.



### SAQ 9.1

a) Define Rural Marketing

b) Why Rural Marketing becoming increasingly popular now a days?

c) What are the things which an Entrepreneur should keep in mind while doing Rural Marketing?



## ASSIGNMENT IV

1. Prepare a questionnaire for surveying demand for table fans or exhaust fans.

Enrollment No : \_\_\_\_\_



## ASSIGNMENT IV

2. Prepare a questionnaire for the product or service you want to market.

Enrollment No : \_\_\_\_\_





## NOTES



## NOTES