MBA 3.42

MASTERS OF BUSINESS ADMINISTRATION

CONSUMER BEHAVIOUR AND SALES MANAGEMENT

UP Rajarshi Tandon Open University

Allahabad

BLOCK- I

CONSUMER BEHAVIOUR- ISSUES AND CONCEPT

This block consists of four units namely;

UNIT-1 Consumer Behaviour

UNIT-2 Organisational Buying Behaviour

UNIT- 3 Individual Influences On Buying Behaviour

UNIT-4 Group Influences On Consumer Behaviour

UNIT-1 CONSUMER BEHAVIOUR

Unit Structure

1.16 Self Assessment Questions

1.17 Suggested Readings

1.0 Unit Objectives: To understand the role of marketing in influencing consumer behaviour and to analyze the role of marketer & the consumer in advertising. This unit will help the students to understand the changing trends in consumer behaviour.

1. 1 Introduction:

Consumer is the reason why business exists. Without them no company can survive or thrive. In their absence an organisation doesn't have a business or purpose. The main purpose of a company is to satisfy customer's needs and wants. Though similar, consumers are unique in themselves; they have needs and wants which are varied and diverse from one another; and they have different consumption patterns and consumption behaviour. The marketer helps satisfy these needs and wants through product and service offerings. For a firm to survive, compete and grow, it is essential that the marketer identifies these needs and wants, and provides product offerings more effectively and efficiently than other competitors. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. Herein, lays the essence of Consumer Behaviour, an interdisciplinary subject, which emerged as a separate field of study in the 1960s. Peter Drucker, a leading management expert, once stated that the aim of marketing is to know and understand the consumer so well that the product or service fits him and sells itself. Ideally, marketing should result in a consumer who is ready to buy. All that should be needed then is to make the product or service available. In short, consumer or customer satisfaction is the key to an organisational success.

1.2 Consumer:

Any individual who purchases goods and services from the market for his/her end-use is called a consumer. In simpler words a consumer is one who consumes goods and services available in the market. In other words, the consumer is an ultimate user of a product or service. The consumer is the one who pays to consume the goods and services produced. As such, consumers play a vital role in the economic system of a nation. In the absence of their effective demand, the producers would lack a key motivation to produce, which is to sell to consumers.

According to the International Dictionary of Management, "Consumers are purchasers of goods and services for immediate use and consumption". A consumer is a person (or group) who pays to consume the goods and/or services produced by a seller (i.e., company, organization).

- Any product, good, or service that is developed must have a target market in mind in order to be effectively marketed and sold.
- There are six types of target markets: a) Consumer Markets; b) Industrial Markets (made up of industrial companies); c) Commercial Markets; d) Government Markets; e) International and Global Markets and f) Markets segmented for strategic targets.
- Some may find the term or label "consumer" somewhat offensive as it is considered to be more descriptive of plain consumption rather than recognizing the person behind the purchase.
- It is important to note that consumers (or customers) play a vital role in the economic system of a nation.
- Marketers are now starting to work on individualizing the concept of "A Consumer," by engaging in personalized marketing, permission marketing, and mass customization.

Why Do We Buy? The field of consumer behavior covers a lot of ground: It is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. Consumers take many forms, ranging from an 8-year-old child who begs her mother for a Frozen Elsa doll to an executive in a large corporation who helps to decide on a multimillion-dollar computer system. The items we consume include anything from canned peas to a massage, democracy, Juicy jeans, Reggaeton music, or a celebrity like Taylor Swift. The needs and desires we satisfy range from hunger and thirst to love, status, and even spiritual fulfillment.

Marketing practitioners rely heavily on consumer behavior research to guide strategic decisions that may range from the most effective way to phrase an advertisement to the optimal way to configure a store environment or how to design a public policy campaign to encourage responsible consumption.

In its early stages of development, consumer behavior researchers referred to the field as buyer behavior; this reflected the emphasis at that time (1960s and 1970s) on the interaction between consumers and producers at the time of purchase. Most marketers now recognize that consumer behavior is in fact an ongoing process, not merely what happens at the moment a consumer hands over money or a credit card and in turn receives some good or service. A consumer is a person who identifies a need or desire, makes a purchase, and/or then disposes of the product. In many cases, however, different people play a role in this sequence of events. The purchaser and user of a product might not be the same person, as when a parent picks out clothes for a teenager (and makes selections that can result in "fashion suicide" in the view of the teen). In other cases, another person may act as an influencer when he or she recommends certain products without actually buying or using them. A friend's grimace when you try on that new pair of pants may be more influential than anything your mother might say. Finally, consumers may take the form of organizations or groups. One or several persons may select products that many will use, as when a purchasing agent orders a company's office supplies. In other organizational situations, a large

group of people may make purchase decisions: for example, company accountants, designers, engineers, sales personnel, and others—all of whom will have a say in the various stages of the consumption process. One important type of organization is the family, in which different family members weigh in about products and services that all will use.

Successful companies understand that needs are a moving target. No organization—no matter how renowned for its marketing prowess—can afford to rest on its laurels. Everyone needs to keep innovating to stay ahead of changing customers and the marketplace. BMW is a great example of a company that carefully tracks consumer behavior. The automaker's engineers and designers know they have to understand how drivers' needs will change in the future—even those loyal owners who love the cars they own today. The company is highly sensitive to such key trends that affect consumer behavior as:

- A desire for environmentally friendly products
- Increasingly congested roadways and the movement by some cities such as London to impose fees on vehicles in central areas
- New business models that encourage consumers to rent products only while they need them rather than buying them outright.

BMW's response: The company committed more than $1 billion to develop electric BMWi models such as its new i3 commuter car and i8 sports car. In addition, BMW started a car-sharing service (now in several European cities as well as San Francisco) it calls DriveNow:

Drivers use a computer chip in their licenses to hire a car and leave it wherever they are when they no longer need it.

Why should managers, advertisers, and other marketing professionals bother to learn about consumer behavior? Simply, it's good business. The basic marketing concept states that organizations exist to satisfy needs. Marketers can satisfy these needs only to the extent that they understand the people or organizations that will use the products and services they sell. Voila!

That's why we study consumer behavior.

Our society is evolving from a mass culture in which many consumers share the same preferences to a diverse one in which we each have almost an infinite number of choices—just think about how many shades of lipstick or necktie patterns compete for your attention. This change makes it more important than ever to identify distinct market segments and to develop specialized messages and products for those groups.

Building loyalty to a brand is a smart marketing strategy, so sometimes companies define market segments when they identify their most faithful customers or heavy users. As a rule of thumb, marketers use the 80/20 rule: 20 percent of users account for 80 percent of sales. This guideline often holds up well, and in some cases even this lopsided split isn't big enough: A **study** of 54 million shoppers reported that only 2.5 percent of consumers account for 80 percent of sales for the average packaged-goods brand.

1.3 Consumer Behaviour

"Consumer behavior is the actions and the decision processes of people who purchase goods and services for personal consumption", According to Engel, Blackwell, and Mansard. Consumer buying behavior refers to the study of customers and how they behave while deciding to buy a product that satisfies their needs. It is a study of the actions of the consumers that drive them to buy and use certain products. Study of consumer buying behavior is most important for marketers as they can understand the expectation of the consumers. It helps to understand what makes a consumer buy a product. Consumer behaviour is the study of how individual customers,

groups or organizations select, buy, use, and dispose of ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions. Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

Exhibit 1.1: The Exchange Process

A market can be defined as a group of potential buyers with needs and wants and the purchasing power to satisfy them. During the exchange process, the potential buyers "vote" (usually with their dollars) for the market offering they feel best meets their needs. When marketers understand how buyers arrive at a decision, they can create offerings that will attract buyers. Two key questions a marketer needs to answer related to buyer behavior are: How do potential buyers go about making purchase decisions? What factors influence their decision process and in what way?

The answers to these two questions form the basis for the design of a market offering. When we use the term "buyer," we are referring to an individual, group, or organization that engages in market exchange. In fact, there are differences in the characteristics of these three entities and how they behave in an exchange. Therefore, individuals and groups are traditionally placed in the *consumer* category, while organization is the second category. This module will first discuss consumer purchasing decisions, followed by business-to-business purchasing decisions. It is

important to assess the kind of products liked by consumers so that they can release it to the market. Marketers can understand the likes and dislikes of consumers and design base their marketing efforts based on the findings. Consumer buying behavior studies about the various situations such as what do consumers buy, why do they buy, when do they buy, how often do consumers buy, for what reason do they buy, and much more. For example, consumer buying behavior is studied by consumer researchers and their aim is to know why women buy moisturizers (to reduce skin problems), the most preferred brand (Olay, L'Oréal), how often do they apply it (twice a day, thrice a day), where do the women prefer to buy it (supermarkets, online) and how many times do they buy it (weekly, monthly). It's insightful to listen to some of the first cut opinions on Vocally from consumers on how they think about various brands and their expectations, when it comes to electronic products and gadgets.

Figure 1.1: Elements of Consumer Behavior

Marketing is so much more than creating a catchy phrase or a jingle people will sing for days. Understanding consumer behavior is a vital aspect of marketing. Consumer behavior is the study of how people make decisions about what they buy, want, need, or act in regards to a product, service, or company. It is critical to understand consumer behavior to know how potential customers will respond to a new product or service. It also helps companies identify opportunities that are not currently met. A recent example of a change in consumer behavior is the eating habits of consumers that dramatically increased the demand for gluten-free (GF) products. The companies that monitored the change in eating patterns of consumers created GF

products to fill a void in the marketplace. However, many companies did not monitor consumer behavior and were left behind in releasing GF products. Understanding consumer behavior allowed the pro-active companies to increase their market share by anticipating the shift in consumer wants. Due to the changing fashion, technology, trends, living style, disposable income, and similar other factors, consumer behavior also changes. A marketer has to understand the factors that are changing so that the marketing efforts can be aligned accordingly.

Consumer behaviour explains the reasons and logic that underlie purchasing decisions and consumption patterns; it explains the processes through which buyers make decisions.
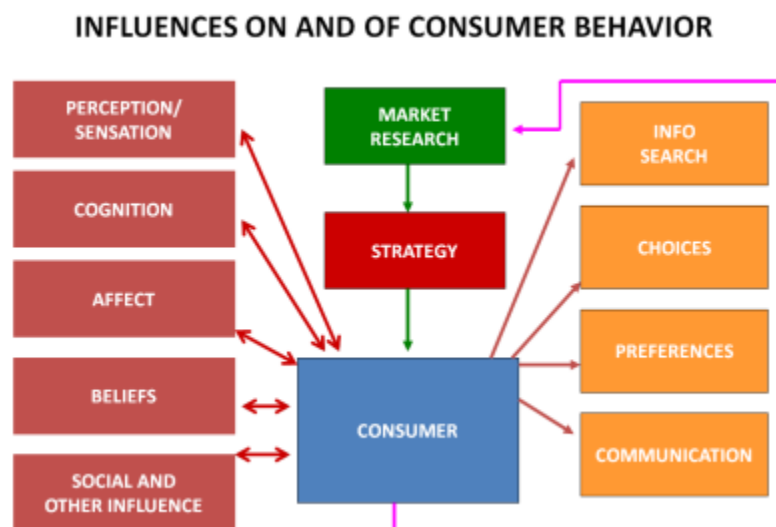
Figure 1.2: Influences on and of Consumer Behaviour

Consumer Behaviour may be defined as "the interplay of forces that takes place during a consumption process, within a consumers' self and his environment. This interaction takes place between three elements viz. knowledge, affect and behaviour; it continues through pre-purchase activity to the post purchase experience; it includes the stages of evaluating, acquiring, using and disposing of goods and services". The "consumer" includes both personal consumers and business/industrial/organisational consumers.

Definitions:

12

1. "The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs."- Schiffman and Kanuk

2. "The decision process and physical activity engaged in when evaluating, acquiring, using or disposing of goods and services." - Loudon and Bitta

3. "The study of consumers as they exchange something of value for a product or service that satisfies their needs"- Wells and Prensky

4. "Those actions directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions". - Engel, Blackwell, Miniard

5. "The dynamic interaction of effect and cognition, behaviour and the environment by which human beings conduct the exchange aspects of their lives" - American Marketing Association

By analysing the above definition, it reveals that the study includes within its purview, the interplay between cognition, affect and behaviour that goes on within a consumer during the consumption process: selecting, using and disposing off goods and services.

- **Cognition:** This includes within its ambit the "knowledge, information processing and thinking" part; It includes the mental processes involved in processing of information, thinking and interpretation of stimuli (people, objects, things, places and events). In our case, stimuli would be product or service offering; it could be a brand or even anything to do with the 4Ps.

- **Affect:** This is the "feelings" part. It includes the favourable or unfavourable feelings and corresponding emotions towards stimuli (towards a product or service offering or a brand). These vary in direction, intensity and persistence.

- **Behaviour:** This is the "visible" part. In our case, this could be the purchase activity: to buy or not to buy (again specific to a product or service offering, a brand or even related to any of the 4 Ps).

1.4 Importance of Consumer Behaviour

The term Consumer Behaviour (CB) is defined as the behaviour that consumers' display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. CB focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. The term CB describes two different kinds of consuming entities: the personal consumer and the organisational consumers. The Personal consumer buys goods and services for his or her own use, for the use of the household or as a gift for a friend. In each of these contexts, individuals, who are referred to as end users or ultimate consumers, buy the products for fine use. The second category of consumer- the organisational consumer- includes profit and not-for-profit businesses, government agencies (local, state, and national), and institutions (e.g. Schools, hospitals, and prisons), all of which must buy products, equipment and services in order to run their organization.

The subject of Consumer Behaviour is viewed as the edifice of the marketing concept, an important orientation in marketing management. The knowledge of Consumer Behaviour helps the marketer understand and predict the consumption patterns and consumption behaviors of people. It helps them gain insights as to why a consumer behaves differently to another consumer; as well as, why a consumer behaves differently in different times and buying situations. The study helps them understand the internal (individual determinants) and external (environmental factors) forces that impel people to act out different consumption patterns and behaviours. The study helps the marketer in:

a) Analyzing the environment: identifying opportunities and fighting threats.

b) Segmenting, targeting and positioning.

c) Designing the marketing-mix.

d) Designing the marketing strategy.

e) Governmental and Non-profit Organization and Social Marketing.

1) Production policies: The study of consumer behavior affects the production policies of the enterprise. Consumer behavior discovers the habits, tastes, and preferences of consumers and such discovery enables an enterprise to plan and develop its products according to these specifications. It is necessary for an enterprise to be in continuous touch with the changes in consumer behavior so that necessary changes in products may be made.

2) Price policies: Buyer behavior is equally important in having price policies. The buyers of some products purchase only because particular articles are cheaper than the competitive articles available in the market.

3) The decision regarding channels of distribution: The goods, which are sold solely on the basis of low price mast and economical distribution channels. In the case of those articles, which week T.V. sets, refrigerators, etc. Must have different channels of distribution. Thus, decisions regarding channels of distribution are taken on the basis of consumer behavior.

4) A decision regarding sales promotion: Study of consumer behavior is also vital in making decisions regarding sales promotion. It enables the producer to know what motive prompts consumers to make purchases and the same are utilized in promotional campaigns to awaken a desire to purchase.

5) Exploiting marketing opportunities: Study of consumer behavior helps the marketers to understand the consumer's needs, aspirations, expectations, problems, etc. This knowledge will be useful to marketers in exploiting marketing opportunities and meeting the challenges of the market.

6) **Consumers do not always act or react predictably:** The consumers of the past used to react to price levels as if price and quality had positive relations. Today, weak value for money, lesser price but with superior features. The consumer's response indicates that the shift had occurred.

7) Highly diversified consumer preferences: This shift has occurred due to the availability of more choice now. Thus the study of consumer behavior is important to understand the changes.

8) Rapid introduction of new products: Rapid introduction of new products with technological advancement has made the job of studying consumer behavior more imperative. For example, information technologies are changing very fast in the personal computer industry.

9) Implementing the "Marketing concept: This calls for studying consumer behavior, all customers need to be given priority. Thus identification of the target market before production becomes essential to deliver the desired customer satisfaction and delight.
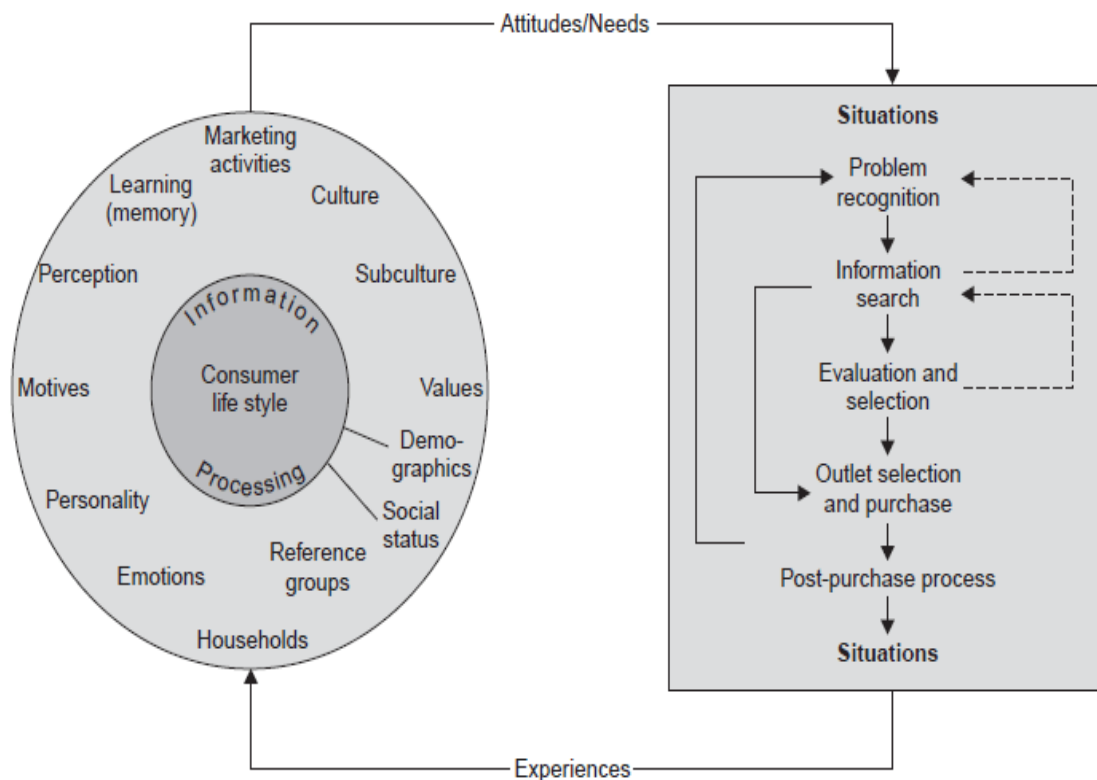
A simplified framework for studying consumer behaviour

Figure 1.3: A Simplified framework for studying Consumer Behaviour

1.5 Nature of Consumer Behaviour:

Consumer beliefs and behaviors are changing fast. To keep up with—and perhaps even influence—those changes, companies must leverage deep consumer insights. Months after the novel coronavirus was first detected in the United States, the COVID-19 crisis continues to upend Americans' lives and livelihoods. The pandemic has disrupted nearly every routine in day-

to-day life. The extent and duration of mandated lockdowns and business closures have forced people to give up even some of their most deeply ingrained habits—whether spending an hour at the gym after dropping the kids off at school, going to a coffee shop for a midday break, or enjoying Saturday night at the movies.Such disruptions in daily experiences present a rare moment. In ordinary times, consumers tend to stick stubbornly to their habits, resulting in very slow adoption (if any) of beneficial innovations that require behavior change. Now, the COVID-19 crisis has caused consumers everywhere to change their behaviors—rapidly and in large numbers. In the United States, for example, 75 percent of consumers have tried a new store, brand, or different way of shopping during the pandemic. Even though the impetus for that behavior change may be specific to the pandemic and transient, consumer companies would do well to find ways to meet consumers where they are today and satisfy their needs in the postcrisis period. Behavioral science tells us that identifying consumers' new beliefs, habits, and "peak moments" is central to driving behavioral change. Five actions can help companies influence consumer behavior for the longer term:

- Reinforce positive new beliefs.
- Shape emerging habits with new offerings.
- Sustain new habits, using contextual cues.
- Align messages to consumer mindsets.
- Analyze consumer beliefs and behaviors at a granular level.

Reinforce positive new beliefs

According to behavioral science, the set of beliefs that a consumer holds about the world is a key influencer of consumer behavior. Beliefs are psychological—so deeply rooted that they prevent consumers from logically evaluating alternatives and thus perpetuate existing habits and routines. Companies that attempt to motivate behavioral change by ignoring or challenging consumers' beliefs are fighting an uphill battle. The COVID-19 crisis, however, has forced many consumers to change their behaviors, and their new experiences have caused them to change their beliefs about a wide range of everyday activities, from grocery shopping to exercising to socializing.

When consumers are surprised and delighted by new experiences, even long-held beliefs can change, making consumers more willing to repeat the behavior, even when the trigger (in this case, the COVID-19 pandemic) is no longer present. In other words, this is a unique moment in time during which companies can reinforce and shape behavioral shifts to position their products and brands better for the next normal.

When consumers are surprised and delighted by new experiences, even long-held beliefs can change, making consumers more willing to repeat the behavior. For example, approximately 15 percent of US consumers tried grocery delivery for the first time during the COVID-19 crisis. Among those first timers, more than 80 percent say they were satisfied with the ease and safety of the experience; 70 percent even found it enjoyable. And 40 percent intend to continue getting their groceries delivered after the crisis, suggesting that they've jettisoned any previously held beliefs about grocery delivery being unreliable or inconvenient; instead, they've been surprised and delighted by the benefits of delivery. Another example of changing beliefs involves at-home exercise. The US online fitness market has seen approximately 50 percent growth in its consumer base since February 2020; the market for digital home-exercise machines has grown by 20 percent. It's likely that many people who tried those fitness activities for the first time during the pandemic believed that at-home exercise couldn't meet their exercise needs. That belief has clearly changed for many of these consumers: 55 percent who tried online fitness programs and 65 percent who tried digital exercise machines say they will continue to use them, even after fitness centers and gyms reopen.

To reinforce the new belief that online fitness can be motivating and enjoyable, NordicTrack, in a recent TV ad titled "Face Off," shows that online workouts can foster the same friendly competition and connection that people look for when they go to the gym or attend in-person exercise classes. An effective way to reinforce a new belief is to focus on peak moments—specific parts of the consumer decision journey that have disproportionate impact and that consumers tend to remember most. Peak moments often include first-time experiences with a product or service, touchpoints at the end of a consumer journey (such as the checkout process in a store), and other moments of intense consumer reaction.

Some companies have focused on enhancing the consumer's first-time experience. Plant-based-meat manufacturer Beyond Meat, for instance, was already benefiting from delays in meat production in the early days of the COVID-19 crisis: its sales more than doubled between the first and second quarters of 2020. In collaboration with local restaurants and catering companies, the company has been delivering free, professionally prepared food to hospitals and other community centers. By giving away Beyond Burgers prepared by professional chefs, Beyond Meat is creating positive first experiences with its product at a time when consumers are more open to trial. As the consumer journey has changed, so have the peak moments, and it's crucial for companies to identify and optimize them. For example, a peak moment in a grocery store might be the discovery of an exciting new product on the shelf. In the online-grocery journey, however, a peak moment might instead be on-time delivery or the "unboxing" of the order (the experience of taking the delivered items out of the packaging). Grocers could consider including a handwritten thank-you note or some other surprise, such as a free sample, to reinforce consumers' positive connections with the experience. Highly emotional occasions can spark intense consumer reactions and therefore present an opportunity for companies to create peak moments associated with their products or brands. For example, when graduations shifted from formal, large-scale ceremonies to at-home, family celebrations, Krispy Kreme offered each 2020 graduate a dozen specially decorated doughnuts for free. With that promotion, the company connected its brand with an emotional event that may not have been a key occasion for doughnuts prior to the pandemic.

Shape emerging habits with new products

Companies can nudge consumers toward new habits through product innovation. For instance, the COVID-19 crisis has spurred consumers to become more health oriented and increase their intake of vitamins and minerals. Unilever reported a sales spike in beverages that contain zinc and vitamin C, such as Lipton Immune Support tea. The company is therefore rolling out such products globally. It's also aligning its innovation priorities with consumers' emerging health-and-wellness concerns. Similarly, packaged-food companies can encourage the habit of cooking at home. Spice manufacturer McCormick's sales in China have sustained double-digit increases

compared with 2019, even as the Chinese economy has reopened and people go back to their workplaces. The same pattern could play out in other countries. Kraft Heinz's innovation agenda for its international markets now prioritizes products that make home cooking pleasurable, fast, and easy—products such as sauces, dressings, and side dishes. These will be targeted at "light" and "medium" users of Kraft Heinz products.

Sustain new habits, using contextual cues

Habits can form when a consumer begins to associate a certain behavior with a particular context; eventually, that behavior can become automatic. To help turn behaviors into habits, companies should identify the contextual cues that drive the behaviors. A contextual cue can be a particular task, time of day, or object placement. For example, more consumers are keeping hand sanitizer and disinfecting wipes near entryways for easy access and as a reminder to keep hands and surfaces clean. Product packaging and marketing that reinforces the put-it-by-the-door behavior can help consumers sustain the habit. Some companies may need to identify—and create—new contextual cues. Before the COVID-19 crisis, a contextual cue for chewing-gum consumption was anticipation of a social interaction—for instance, before going to a club, while commuting to work, and after smoking. As social occasions have waned during the pandemic, a chewing-gum manufacturer must look for new contextual cues, focusing largely on solo or small-group activities, such as gaming and crafting. Gum manufacturers could consider designing packaging, flavors, and communications that reinforce those new associations.

Align messages to consumer mindsets

Connecting with consumers 'in the moment'. People across the country have felt an intensified mix of anxiety, anger, and fear because of recent events, making marketing a tricky terrain to navigate. The heightened emotions and increased polarization of the past few months could drive lasting changes in consumers' behavior and shape their long-term preferences. Companies should therefore ensure that all their brand communications are attuned to consumer sentiment. The quality of a company's communication and its ability to strike the right tone will increasingly become a competitive advantage. McKinsey's consumer-sentiment surveys show

that consumers are paying closer attention to how companies treat their employees during this crisis—and taking note of companies that demonstrate care and concern for people. That has implications for how brands connect with consumers and what types of messages will resonate. Hair-care brand Olaplex, for example, became one of the most mentioned hair-care brands on social media when it started an affiliate program: the company donated a portion of its proceeds from product sales to customers' local hairstylists, helping them stay afloat during salon closures. That said, consumers will see through—and reject—messages and actions that are performative and that seek to commercialize social issues. A brand's communications must align with its purpose; otherwise, the messages won't ring true. Testing marketing messages among a diverse group of consumers, in the context in which those messages will appear, could help prevent costly missteps.

Analyze consumer beliefs and behaviors at a granular level

Consumer beliefs, habits, occasions, and emotional-need states will continue to evolve rapidly over the next year or two as the world awaits a COVID-19 vaccine. For consumer companies to stay abreast of those changes, monitoring product sales alone won't be sufficient. Companies must also conduct primary consumer-insights work, with a focus on identifying changed behaviors and associated changed beliefs and motivators to get a comprehensive picture of the changing consumer decision journey. Qualitative, exploratory research will have a particular role to play as a precursor to (and, in some cases, a substitute for) quantitative research. Digital data-gathering and monitoring techniques—such as mobile diaries, social-media "listening," and artificial-intelligence-driven message boards—will be vital tools to help companies understand emerging behaviors and contextual cues. When structured well, those insights generate new thinking within an organization that can be validated through larger-scale surveys and in-market testing. Companies can then refine their product offerings and marketing messages accordingly. In addition, granular analyses of footfall data and omnichannel sales will unearth telling details, such as which geographic regions are seeing in-person commerce rebound first and which products consumers are buying (such as smaller pack sizes to avoid sharing, activewear versus office wear, and so on). Whereas in the past, companies might have fielded high-level usage and attitude surveys and brand trackers a few times a year, it's especially important now for

companies to keep a closer eye on the evolution of consumer behavior on a weekly or monthly basis.

1. **Process:** Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps:

   1) Need identification to buy the product
   2) Information search relating to the product.
   3) Listing of alternative brands.
   4) Evaluating the alternative (cost-benefit analysis)
   5) Purchase decision.
   6) Post-purchase evaluation by the marketer.

2. Influenced by various factors: Consumer behaviour is influenced by a number of factors. The factors that influenced consumers are as follows; marketing, personal, psychological, situational, social, cultural etc.

3. Different for different customers: All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behaviour is due to individual factors such as the nature of the consumer's lifestyle, culture, etc.

4.Different for different products: Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items.

5. Varies across regions: The consumer behaviour varies across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally, rural consumers are conservative (traditional) in their buying behaviour.

6. Vital for marketers: Marketers need to have a good knowledge of consumer behaviour. They need to study the various factors that influence consumer behaviour of

their target customers. The knowledge of consumer behaviour enables marketers to make appropriate marketing decisions.

7. Reflects Status: Consumers buying behaviour is not only influenced by status of a consumer, but it also reflects it. Those consumers who own luxury cars, and watches other items are considered by others as persons of higher status.

8. Result in spread-effect: Consumer behaviour has a spread effect. The buying behaviour of one person may influence the buying behaviour of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. this may influence some of his friends, neighbours, colleagues. This is one of the reasons why marketers use celebrities like Sharuk khan, Sachin Tendulkar to endorse their brands.

9. Improves Standard of Living: Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living.

10. Undergoes a change: The consumer's behaviour undergoes a change over a period of time depending upon changes in age, education and income level. For instance, kids may prefer colourful dresses, but as they grow up as teenagers and young adults, they may prefer trendy clothes.
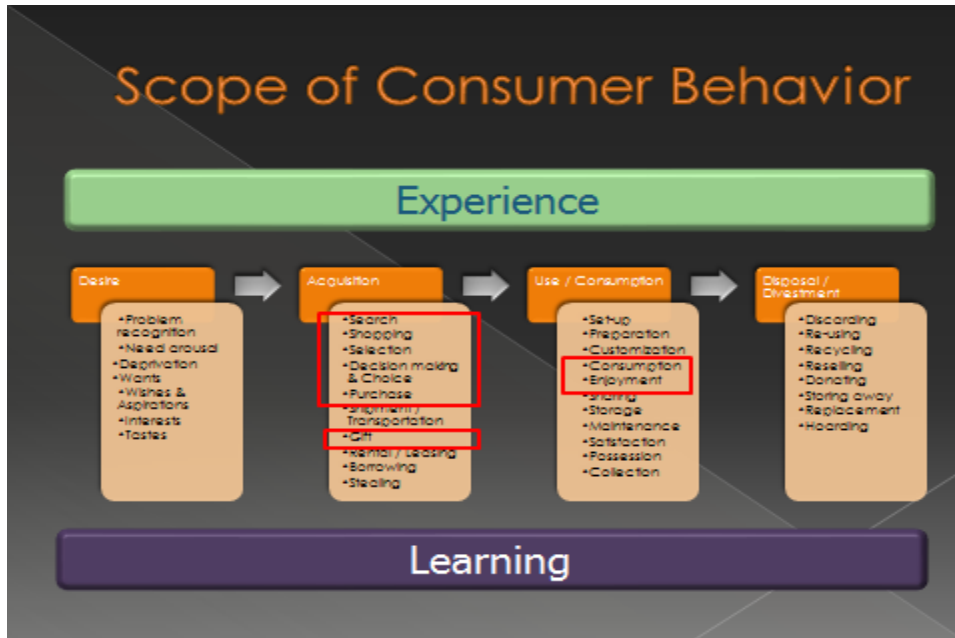
1.6 Scope of Consumer Behaviour:

The study of consumer behaviour deals with understanding consumption patterns and behaviour. It includes within its ambit the answers to the following:
- 'What' the consumers buy: goods and services
- 'Why' they buy it: need and want
- 'When do they buy it: time: day, week, month, year, occasions etc.
- 'Where' they buy it: place

- 'How often they buy' it: time interval
- 'How often they use' it: frequency of use

The scope of consumer behaviour includes not only the actual buyer but also the various roles played by him/ different individuals.

Figure 1.4: Scope of Consumer Behaviour

Basic Components:

i)   **Decision making (Cognitive and Affect):** -this includes the stages of decision making: Need recognition, Information search, Evaluation of alternatives, Purchase activity, Post purchase behaviour.

ii)   **Actual purchase (Behaviour):** -this includes the visible physical activity of buying of goods and/or service. It is the result of the interplay of many individual and environmental determinants which are invisible.

iii)   **Individual determinants and environmental influences:** The environmental factors affect the decision process indirectly, through ways of affecting individual determinants.

iv)   **Buying roles:** Actual Buyer vis a vis other users. There are five buying roles, viz., Initiator, Influencer, Decider, User, and Buyer. The initiator is the person who identifies

that there exists a need or want; the influencer is the one who influences the purchase decision, the actual purchase activity and/or the use of the product or service; the decider is the one who decides whether to buy, what to buy, when to buy, from where to buy, and how to buy; the buyer is the one who makes the actual purchase; and, the user is the person (s) who use the product or service. These five roles may be played by one person or by different persons. A person may assume one or more of these roles. This would depend on the product or service in question.

Let us take an example.

A child goes to a kindergarten school. She comes back home and asks her parents to buy her a set of colour pencils and crayons. Now the roles played are:

1. Initiator: the child in nursery school
2. Influencer: a fellow classmate
3. Decider: the father or the mother
4. Buyer: the father or the mother
5. User: the child

1) Consumer behavior and marketing management: Effective business managers realize the importance of marketing to the success of their firm. A sound understanding of consumer behavior is essential to the long-run success of any marketing program. In fact, it is seen as a cornerstone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations consumers' needs and wants company integrated strategy.

2) Consumer behavior and non-profit and social marketing: In today's world even non-profit organizations like government agencies, religious sects, universities, and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also, they make their contribution towards eradication the problems of society. Thus a clear understanding of the consumer behavior and decision-making process will assist these efforts.

3) Consumer behavior and government decision making: In recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

i) Government services: It is increasing and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

ii) consumer protection: Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumers' welfare.

4) Consumer behavior and demarketing: It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies, non-profit organizations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or service.

5) Consumer behavior and consumer education: Consumers also stand to benefit directly from orderly investigations of their own behavior. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spent annually on grocery products is used for impulse purchases and not spent according to a pre-planned shopping list, consumers may be more willing to plan an effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behaviour.

1.7 Types of Consumer Behaviour

A consumer's buying decision depends on the type of products that they need to buy. The behavior of a consumer while buying a coffee is a lot different while buying a car. Based on observations, it is clear that purchases that are more complex and expensive involve higher deliberation and many more participants. Consumer buying behavior is determined by the level of involvement that a consumer shows towards a purchase decision. The amount of risk involved in a purchase also determines the buying behavior. Higher priced goods tend to have higher risk, thereby seeking higher involvement in buying decisions.

There are four type of consumer buying behavior:

1. **Complex buying behavior**
2. **Dissonance-reducing buying behavior**
3. **Habitual buying behavior**
4. **Variety seeking behavior**

Figure 1.5: Types of Consumer Buying Behaviour

1.7.1 Complex buying behavior

Complex buying behavior is encountered particularly when consumers are buying an expensive product. In this infrequent transaction, consumers are highly involved in the purchase decision. Consumers will research thoroughly before committing to invest. Consumers behave very differently when buying an expensive product or a product that is unfamiliar to him. When the risk of buying a product is very high, a consumer consults friends, family and experts before making the decision. For example, when a consumer is buying a car for the first time, it's a big decision as it involves high economic risk. There is a lot of thought on how it looks, how his friends and family will react, how will his social status change after buying the car, and so on. In complex buying behavior, the buyer will pass through a learning process. He will first develop beliefs about the product, then attitudes, and then making a thoughtful purchase choice. For complex buying behavior customers, marketers should have a deep understanding of the products. It is expected that they help the consumer to understand about their product. It is important to create advertising messages in a way that influences the buyer's beliefs and attitudes.

1.7.2. Dissonance-reducing buying behavior

In dissonance-reducing buying behavior consumer involvement is very high. This might be due to high prices and infrequent purchase. In addition, there is a low availability of choices with less significant differences among brands. In this type, a consumer buys a product that is easily available.

Consumers will be forced to buy goods that do not have too many choices and therefore consumers will be left with limited decision making. Based on the products available, time limitation or the budget limitation, consumers buy certain products without a lot of research.

For example, a consumer who is looking for a new collapsible table that can be taken for camping, quickly decides on the product based on the few brands available. The main criteria here will be the use and the feature of the collapsible table and the budget available with him.

Marketers should run after-sale service camps that deliver focused messaging. These campaigns should aim to support consumers and convince them to continue with their choice of their brand. These marketing campaigns should focus on building repeat purchases and referrals by offering discounts and incentives.

1.7.3. Habitual buying behavior

Habitual Buying Behavior is depicted when a consumer has low involvement in a purchase decision. In this case the consumer is perceiving only a few significant differences between brands. When consumers are buying products that they use for their daily routine, they do not put a lot of thought into it. They either buy their favorite brand or the one that they use regularly – or the one available in the store or the one that costs the least.

For example, while a consumer buys a loaf of bread, he tends to buy the brand that he is familiar with without actually putting in a lot of research and time. Many products fit into this category. Everyday use products, such as salt, sugar, biscuits, toilet paper, and black pepper all fit into this product category. Consumers just go for it and buy it – there is no brand loyalty. Consumers do not research or need information regarding purchase of such products.

Habitual buying behavior is influenced by radio, television and print media. Moreover, consumers are buying based on brand familiarity. Hence marketers must use repetitive advertisements to build brand familiarity. Further to initiate product trials, marketers should use tactics like price drop promotions and sales promotions.

Marketers should attract consumers using visual symbols and imagery in their advertising. Consumers can easily remember visual advertisements and can associate with a brand.

1.7.4. Variety seeking buying behavior

In variety seeking consumer behavior, consumer involvement is low. There are significant differences between brands. Here consumers often do a lot of brand switching. The cost of switching products is low, and hence consumers might want to try out new products just out of curiosity or boredom. Consumers here, generally buy different products not because of dissatisfaction but mainly with an urge to seek variety. For example, a consumer likes to buy a cookie and choose a brand without putting much thought to it. Next time, the same consumer might choose a different brand out of a wish for a different taste. Brand switching occurs often and without intention. Brands have to adopt different strategies for this type of consumer behavior. The market leader will persuade habitual buying behavior by influencing the shelf space. The shelf will display a large number of related but different product versions. Marketers avoid out-of-stock conditions, sponsor frequent advertising, offer lower prices, discounts, deals, coupons and free samples to attract consumers.

Consumer buying decisions are dependent on the consumer behavior. There are great differences in the consumer behavior while buying a car versus buying chips. Marketers have to exercise careful judgment in marketing products to different kinds of consumer behavior. Understanding consumer behavior is essential for a company to find success for its current products as well as new product launches. Every consumer has a different thought process and attitude towards buying a particular product. If a company fails to understand the reaction of a consumer towards a product, there are high chances of product failure.

1.8 Application of Consumer Behaviour:

An understanding of consumer behaviour is necessary for long term success and survival of a firm. It is viewed as the edifice of the marketing concept, an important orientation in marketing management. According to the marketing concept, the marketer should be able to determine needs and wants of the target segment and provide product and service offerings more effectively and efficiently than competitors. It is essentially a customer-centred philosophy, which aims at

understanding customer needs and wants, providing the right product and service, and deriving customer satisfaction; "make what you can sell" rather than "sell what you make."

An understanding of the study of consumer behaviour helps formulate appropriate marketing strategies for a firm keeping in view the consumer and his environment. It has a number of applications; the main application bases are as follows:

1.8.1 Analyze the environment:

The knowledge of consumer behaviour can be applied to help identify opportunities and fight threats. The opportunities could be in terms of newer customers, newer markets, unfulfilled needs and wants (through a study of consumer individual determinants and other environmental influences). The threats could be fought by developing and implementing appropriate marketing strategies to best fit the environment. The marketing strategies need to be dynamic and constantly evolving keeping in view the uncertainty in the environment; Environmental uncertainty is a function of complexity and dynamism. Complexity is defined in terms of the number, strength and interrelatedness of the various factors in the environment that a firm has to deal with. Dynamism relates to how quickly the changes take place in the environment.

1.8.2 Segmentation, targeting and positioning:

The study of consumer behaviour may be applied to segment the market, select the target market and position the product or service offering. Identifying the target segment, understanding their needs, providing the right product and service offering and communicating about the offering – all of these help a marketer succeed in the long term and ensure his survival and success in a changing environment.

a) Segment the market: The marketer needs to identify distinct customer groups with needs and wants, classify them on the basis of descriptive characteristics and behavioural dimensions. The descriptive characteristics may take forms of age, gender, income, occupation, education, family size, family life cycle, gender, lifestyle, personality, religion, generation, geography, nationality, and social class. The behavioural dimensions take forms of benefits, uses, use occasion, usage rates, and loyalty status.

b) Select target market: The marketer then selects one or more markets to enter. The segment(s) that should be targeted should be viable; there should be a fit between the market attractiveness and the company's objectives and resources. The marketer would be able to assess the viability of a segment on the basis of the following criteria, viz., measurability, substantial ability, accessibility, differentiability, and actionability.

c) Position: the product offering in the mind of the customers: The marketers should be able to communicate the distinct and/or unique product characteristics.

1.8.3 Designing the Marketing Strategy:

There exists an interrelation between the Consumer, the Environment and the Marketing strategy.

a) Consumer: The consumer has his needs and wants as well as product preferences; Thus, there exists an interplay of Cognition (knowledge about products and alternatives), Affect (feelings of favourableness and unfavourableness) and Behaviour (action: buy or not to buy).

b) Environment: This refers to forces in the environment, which make the environment complex and dynamic.

c) Marketing strategies: This implies setting up goals and then achieving them through the design of an appropriate marketing mix. The Marketing Strategy should be designed to influence consumers (Cognition, Affect and Behaviour) and be influenced by them. It should be flexible and ever evolving with changes in the customer needs and wants; as well as, changes in the environment in which it operates. The knowledge of consumer behaviour can be applied to develop a "best fit" between consumer needs and wants, the environment in which the firm operates; and, the firms' goals and objectives.

1.8.4 Designing the Marketing Mix:

The study of consumer behaviour may be applied to design the 4 Ps.

a) Product: The term product includes both tangible products and intangible services. The issues to address consist of name (brand), size, shape, features, labeling, packaging, accessories and supplementary products, terms of sale and services, after sales etc.

b) Price: This includes the pricing of the product offering. The major components include, form of payment, terms and conditions of payment, discounts, price sensitivity, differential prices and

customer reaction, imagery (price increase and customer reaction, price decrease and customer reaction).

c) Place and Distribution: This includes the marketing channel, and comprises decisions regarding choice of channel (direct or indirect), location, accessibility and availability of product offering, wholesaling, retailing, logistics etc.

d) Promotion: This includes marketing communication, and the major issues comprise decisions on communication/promotion mix, the message and media strategy (the content, appeal and context).

Application in Governmental and Non-profit Organizations and Social Marketing

The knowledge of consumer behaviour finds relevance even in Governmental and Non-profit Organizations and Social Marketing. Governmental and Non-profit Organizations have the society as its customers and need to understand them so as to be able to serve them better. Social marketing involves propagation of ideas; attempts at such circulation and spread of ideas for moral and social upliftment can be more successful if there is a proper understanding of the these consumers (i.e., the public and society)

1.9 The Interdisciplinary Nature of Consumer Behaviour:

As an interdisciplinary area of study, the subject borrows heavily from psychology, sociology, social psychology, anthropology and economics.

1. Psychology: This includes the study of the individual as well as the individual determinants in buying behaviour, viz., consumer perception, learning and memory, attitude, self-concept and personality, motivation and involvement, attitudes and attitudinal change and, decision making.

2. Sociology: This includes the study of groups as well as the group dynamics in buying behaviour, viz., family influences, lifestyles and values, and social group influences.

3. Social psychology: This includes the study of how an individual operates in group/groups and its effects on buying behaviour viz, reference groups and social class influences.

4. Anthropology: This is the influence of society on the individual viz., cultural and cross-cultural issues in buying behaviour, national and regional cultures etc.

5. Economics: This is the study of income and purchasing power, and its impact on consumer behaviour. The underlying premise is that consumers make rational choices while making

purchase decisions. While resources are limited and needs and want many, consumers collect information, and evaluate the various alternatives to finally make a rational decision.

As discussed before, consumers are unique in themselves. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. In order to understand and predict consumption patterns and behaviours within segment (s), market research becomes essential.

1.10 Market Research and Consumer Behaviour:

Consumers are different and heterogeneous. However, like-minded clusters of customers do exist; they are homogenous within such clusters and heterogeneous outside; these are referred to as segments. Marketers identify segments and target one or few of these segments, and thereby fulfill the qualifications of the marketing concept; first, marketers identify customer needs and wants; and then, deliver product and service offerings so as to satisfy the customers more efficiently and effectively than the competitors. In order to understand and predict consumption patterns and behaviours within segment (s), market research becomes essential.
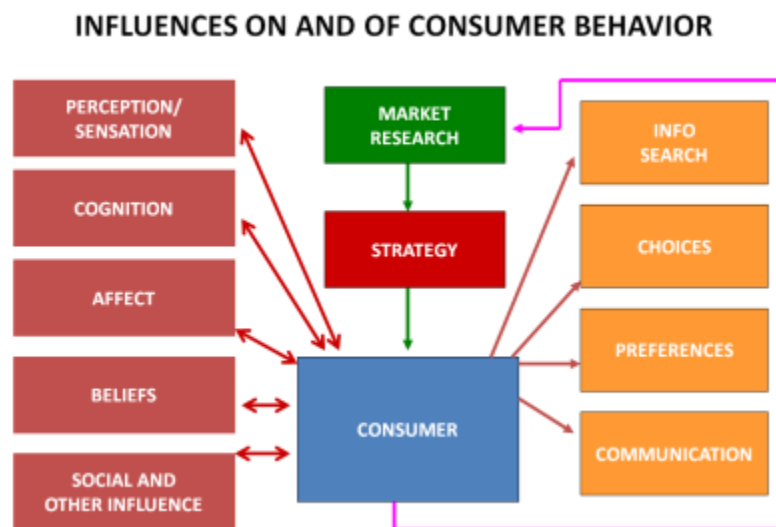
Figure 1.6: Influences On and Of Consumer Buying Behaviour

Market research may be defined as:
- An organized effort to gather information about the market and the customers.

- Systematic collection, analysis and interpretation of data related to the market and the surrounding environment.

The environment surrounding a Company may be grouped as the "micro-environment" and the "macro environment". The micro-environment comprises forces in the environment that is close to the company and affects the company directly; for example, the company's internal environment, the founder/leader and his vision and mission, the customers, competitors, suppliers, and channel intermediaries. The macro- environment on the other hand, comprises forces in the environment that first affect the micro environment and through that they affect the company; in other words they affect the company indirectly; examples are the demographic factors, socio-economic factors, political factors, technological factors, cultural factors, natural factors etc. The forces in the macro environment affect all the companies operating in the same industry in a similar manner. The micro-environment is studied in terms of strengths (S) and weaknesses (W), while the macro- environment is studied in terms of opportunities (O) and threats (T). The analysis of both of these put together comprises the SWOT analysis.

1.13 Application Of Consumer Behaviour In Marketing:

- **Analysing market opportunity:** Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles, income levels and emerging influences. Consumer behavior study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the friends and conditions operating in the Marketplace, consumer's lifestyle, income levels, and energy influences. This may reveal unsatisfied needs and wants. Mosquito repellents have been marketed in response to a genuine and unfulfilled customer need. This may reveal unsatisfied needs and wants. The trend towards increasing the number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centres etc. Mosquito repellents have been marketed in response to a genuine and unfulfilled customer need.

- **Selecting target market:** A review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and needs. Identifying these groups, learning how they behave and how they make purchase decisions enables the marketer to design and market products or services particularly suited to their wants and needs. Review of market opportunities often helps in identifying district consumer segments with very distinct and unique wants and needs. Identifying these groups, behave and how they make purchase decisions enable the marketer to design and market products or services particularly suited to their wants and needs. For example, please sleep revealed that many existing and potential shampoo users did not want to buy shampoo fax at rate 60 for more and would rather prefer a low price package containing enough quantity for one or two washers. This found LED companies to introduce the shampoos sachet, which became a good seller. For example, consumer studies revealed that many existing and potential shampoo users

  did not want to buy shampoo packs priced at Rs. 60 or more and would rather prefer a low priced sachet containing enough quantity for one or two washes. The finding led companies to introduce the shampoo sachet which became a good seller.

- **Marketing-mix decisions:** Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion. Here too, consumer behaviour study is very helpful in finding answers to many perplexing questions. Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution, and promotion. Where too, consumer behavior study is very helpful in finding answers to too many perplexing questions. The factors of marketing mix decisions are:

- i) product ii) price iii) promotion iv) distribution

- **Use in social and nonprofits marketing:** Consumer behavior studies are useful to design marketing strategies by social, governmental, and not for profit organizations to make their programs more effective such as family planning, awareness about AIDS.

Marketing mix- 4P's

-

Figure 1.7: Marketing Mix

The marketer designs the product or service that would satisfy unfulfilled needs or wants. Further decisions regarding the product concern size, shape and features. The marketer has also to decide about packaging important aspects of service, warranties and accessories etc. Nestle first introduced Maggie noodles in masala and capsicum flavours. Subsequently, keeping in view the consumer preferences in some regions, the company introduced garlic and other flavours.

Price:

The second important component of the marketing mix is price. Marketers must decide what

price to charge for the product or service. These decisions will influence the flow of revenue to the company. Should the marketer be consumer price sensitive and would a lower price stimulate sales? Should there be any price discounts? Do consumers perceive lower price as being indicative of poor quality? To answer such questions, the marketer must understand the way the company's product is perceived by consumers, the

importance of price as a purchase decision variable and how different price levels would affect sales. It is only through consumer behavior study in actual buying situations that the marketer can hope to find answers to these important issues.

Place\ Distribution:

The next decision relates to the distribution channel, that is, where and how to offer products and services for sale. Should the products be sold through all the retail outlets or only through selected ones? Should the marketer use only the existing outlets, which also sell competing brands, or should new exclusive outlets selling only the marketer's brands be created? Is the location of retail outlets important from consumers' point of view? Should the company think of direct marketing? The answers to these questions are furnished by consumer behaviour research.

Promotion:

Promotion is concerned with marketing communications to consumers, The more important methods are advertising, personal selling, sales promotion, publicity and direct marketing. The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion? The company has to know the target consumers, their location, what media do they have access to and what are their media preferences, etc.

In most cases of industrial products there is very little or no advertising. Brochures containing technical specifications are often posted to the clients and the salespeople make follow- up visits. Consumer products get the maximum share of advertising. Pharmaceutical industry exclusively uses personal selling for prescription drugs. Insurance companies use both advertising and personal selling.

1.14 Use in Social and Non-profits Marketing:

Consumer behaviour studies are useful to design marketing strategies by social, governmental and not-for-profit organisations to make their programmes such as family planning, awareness about AIDS, crime against women, safe driving, environmental

concerns and other more effective. UNICEF (greeting cards), Red Cross and CRY etc. make use of consumer behaviour understanding to sell their services and products and also try to motivate people to support these institutions.

What a consumer thinks when he goes out shopping.
A marketer needs to first identify his target consumers and understand their lifestyles, psychologies, income, spending capabilities, mentalities to offer them the right product. Individuals from lower income groups would never be interested in buying expensive and luxurious products. He would first fulfill his basic physiological needs like food, air, water etc. Trying to sell a Mercedes to someone who finds it difficult to make ends meet would definitely be a disaster.

Kellogg's K special would hardly find any takers in the low income group. In this segment, individuals would be more interested in buying fresh fruits, vegetables, and pulses which are necessary for their survival rather than spending on health supplements.
It is really essential for the marketers to understand the needs of consumers. Find out what they are actually looking for?

There are ideally two different ways which enable marketers to understand their consumers. Primary Research and Secondary Research
Primary Research - Primary Research refers to a research methodology where marketers interact with consumers directly and gather as much information as they can. Information is generally collected through surveys, questionnaires, feedback forms, interviews etc.

Secondary Research   Secondary Research often refers to relying on information which has been collected by others at some point of time.
The background and family status of an individual also influence his/her buying behaviour. Selling a laptop to an individual who is not much educated would be pointless. Remember consumers would show interest in your products only if they are of any use to them or their immediate family members. A low grade worker would never be interested in purchasing business suits or formal shirts.

Canned juices are a hit among middle and higher income groups where individuals are really conscious about their health and fitness. Individuals who live hand to mouth would never spend on sugar free tablets, health supplements, or for that matter "Diet Coke".

It is also important to give complete information to end-users. Do not hide anything from them. It is not ethical. All tobacco products come with a warning. Individuals should be familiar with not only the benefits but also the side effects of the products.

Marketers must also take into account:

➢ Age group of consumers

➢ Geographical location

➢ Lifestyle of consumers

➢ Social Status of consumers

1.15 Summary

- Our consumption related behavior influences new product development and success and failures of business.
- Consumer Behaviour refers to the observable behavior of consumers during searching, purchasing and post consumption of products or services.
- There are two important groups of consumers: personal consumers and organisational consumers.
- The study of consumer behavior involves interplay of a number of variables that are not visible to an observer.
- The study of consumer behavior involves what they buy, how they buy it, when they buy it, where they buy it, and what are the post purchase activities.
- The study of consumer behavior is deeply rooted in the marketing concept. Consumer behavior activities can help unearth much information to help marketers segment markets, selection of the target segments, developing the positioning strategy and develop appropriate marketing mixes for different markets.

1.16 Self Assessment Questions

1. "It has become important for marketers to understand the psyche of the consumer." Comment.

2. "Consumer decision making process is an interplay of various complex variables which are not visible to the marketers." Substantiate.

3. There are different roles that a consumer plays while making a purchase decision. Explain the process and the various roles that a consumer or household assumes.

4. "Production, product and selling concepts do not take into account consumer's preferences". Do you agree? Give reasons.

5. "Consumer Behaviour relates to other disciplines also". Explain with suitable examples

6. Is it important to consider the behavior of consumers while deciding on the marketing mix of the company? Why? Explain with suitable examples.

7. It is said that each consumer is unique, and any study that concentrates on the "average consumer" is meaningless. Discuss its implications.

8. What is the thin line that differentiates between a customer and a consumer? Explain with examples.

9. "Marketing myopia–good or evil?" Discuss.

10. Consider the following companies: Coca Cola, Audi, General Motors, Sony Electronics and Procter & Gamble. Find out which concept/concepts do they generally follow? Also trace their history and find out the related changes.

1.17 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition, New Delhi.
- Loudon, D.L & Delta Bitta, A.J, Consumer Behaviour,

UNIT-2 ORGANISATIONAL BUYING BEHAVIOUR

Unit Structure

2.0 Unit Objectives: This unit gives a detailed understanding of Consumer Behaviour as well as buying situation.

2.1 Organization Buying Behaviour

Webster and Wind, who have done some pioneering work in this area, define organisational buying as a complex process of decision making and communication, which takes place over time, involving several organisational members and relationships with other firms and institutions. According to them, it is much more than a simple act of placing an order with the suppliers. In this sense, they define organisational buying behaviour as the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers. It is important here to recognize the emphasis on the decision process rather than on a single act of placing an order. The case of the desert cooler clearly brings out the process which began with identification of the need to finally place an order. Based on several observations of the buying situation, Robinson,

Exhibit 2.1: Types of Organisational Customers

Faris and Wind have identified this process as comprising eight steps of this decision process.

Organisational Buying and Buying Behaviour

Organizational Buying Behaviour is a complex decision-making and communication process involving selection and procurement of product and services by organizational

buyers.Organizational behavior refers to the buying behavior of organizations that buy products for business use, resell or to make other products. Organizations consist of business, industries, retailers, government, and non-government organizations

Characteristics of Organizational Buying

1. Timing Complexity.

2. Technical Complexity.

3. Organizational Complexity.

4. Individual Factors.

5. Organizational Factors.

6. Business Environment

Characteristics of Organizational Buying: B2B purchasing decisions include levels of complexity that are unique to organizations and the environments in which they operate.

1. Timing Complexity: The organizational decision process frequently spans a long period of time, which creates a significant lag between the marketer's initial contact with the customer and the purchasing decision. In some situations, organizational buying can move very quickly, but it is more likely to be slow. When personnel change, go on leave, or get reassigned to other projects, the decision process can take even longer as new players and new priorities or requirements are introduced. Since a variety of factors can enter the picture during the longer decision cycles of B2B transactions, the marketer's ability to monitor and adjust to these changes is critical.

2. Technical Complexity: Organizational buying decisions frequently involve a range of complex technical dimensions. These could be complex technical specifications of the physical products, or complex technical specifications associated with services, timing, and terms of delivery and payment. Purchases need to fit into the broader supply chain an organization uses to operate and produce its own products, and the payment schedule needs to align with the organization's budget and fiscal plans. For example, a purchasing agent for Volvo automobiles must consider a

number of technical factors before ordering a radio to be installed in a new vehicle model. The electronic system, the acoustics of the interior, and the shape of the dashboard are a few of these considerations.

3. Organizational Complexity: Because every organization is unique, it is nearly impossible to group them into precise categories with regard to dynamics of buying decisions. Each organization has a characteristic way of functioning, as well as a personality and unique culture. Each organization has its own business philosophy that guides its actions in resolving conflicts, handling uncertainty and risk, searching for solutions, and adapting to change. Marketing and sales staff need to learn about each customer or prospect and how to work with them to effectively navigate the product selection process.

4. Unique Factors Influencing B2B Buying Behavior: Because organizations are made up of individual people, many of the same influencing factors discussed earlier in this module apply in B2B settings: situational, personal, psychological, and social factors. At the same time, B2B purchasing decisions are influenced by a variety of factors that are unique to organizations, the people they employ, and the broader business environment.

5. Individual Factors: B2B decisions are influenced by characteristics of the individuals involved in the selection process. A person's job position, tenure, and level in the organization may all play a role influencing a purchasing decision. Additionally, a decision maker's relationships with peers and managers could lead them to exert more–or less–influence over the final selection. Individuals' professional motives, personal style, and credibility as a colleague, manager, or leader may play a role. To illustrate, a new department head might want to introduce an updated technology system to help her organization work more productively. However, her short time in the role and rivalry from other department heads could slow down a buying decision until she has proven her leadership capability and made a strong case for investment in the new technology.

6. Organizational Factors: Purchasing decisions, especially big-ticket expenditures, may be influenced by the organization's strategies, priorities, and performance. Generally the decision makers and the providers competing for the business must present a compelling explanation for how the new purchase will help the organization become more effective at achieving its mission

and goals. If a company goes through a quarter with poor sales performance, for example, the management team might slow down or halt purchasing decisions until performance improves. As suggested above, organizational structure plays a central role determining who participates in the buying process and what that process entails. Internal organizational politics and culture may also impact who the decision makers are, what power they exert in the decision, the pace of the buying process, and so forth. An organization's existing systems, products, or technology might also influence the buying process when new purchases need to be compatible with whatever is already in place.

7. Business Environment: B2B purchasing is also influenced by factors in the external business environment. The health of the economy and the company's industry may determine whether an organization chooses to move ahead with a significant purchase or hold off until economic indicators improve. Competitive pressures can create a strong sense of urgency around organizational decision making and purchasing. For instance, if a leading competitor introduces a compelling new product feature that causes your organization to lose business, managers might be anxious to move forward with a project or purchase that can help them regain a competitive edge. When new technology becomes available that can improve products, services, processes, or efficiency, it can create demand and sales opportunities among companies that want the new technology in order to compete more effectively. Government and the regulatory environment can also influence purchasing decisions. Governmental organizations often have very strict, highly regulated purchasing processes to prevent corruption, and companies must comply with these regulations in order to win government contracts and business. Similarly, lawmakers or governmental agencies might create new laws and regulations that require organizations to alter how they do business— or face penalties. In these situations, organizations tend to be highly motivated to do whatever it takes, including purchasing new products or altering how they operate, in order to comply.

Organizational Buying Decision Process: Organizational buying behavior refers to the process of how companies or organizations buy goods and services. Organizational Buying is not an easy activity as most people think of it.
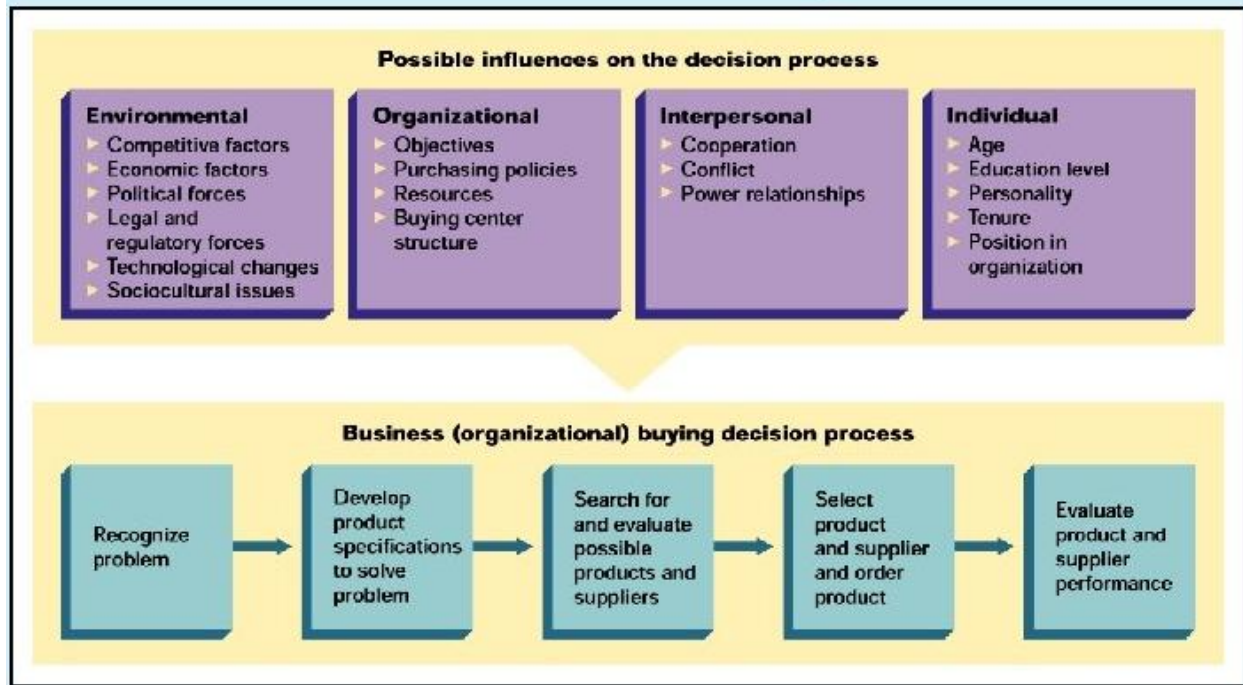
Figure 2.1: Organizational Buying Decision Process

Stage 1 – Problem Recognition: The first stage of the business buying process in which someone in the company recognizes a problem or need that can be met by acquiring a good or a service. The purchasing/buying process begins when someone in the company recognises a problem or need that can be met by acquiring goods or services. The common events that lead to this phase could be: i. The company decides to develop a new product and needs new equipment and materials to produce this product. ii. It decides to diversify or expand and hence requires a multitude of new suppliers. iii. Purchasing Manager assesses an opportunity to obtain lower prices or better quality. iv. A machine breaks down and requires replacement or new parts. v. Purchased materials turn out to be unsatisfactory and the company searches for another supplier. Early emolument in the new task/problem recognition phase offers the marketer an advantage over competitive suppliers.

Stage 2: Description of the need: This phase involves determination of the characteristics and quantity of the needed item. The general characteristics could be reliability, durability, price etc. and the marketer along with the purchasing manager, engineers and users can describe the needs. The questions that could be posed are: i. What performance specifications need to be met? ii. What types of goods and services should be considered? iii. What are the application requirements? and iv. What quantities would be needed? The answers to such questions will give the marketer a general description of the need which will be the input for the next phase.

Stage 3 Product Specification: At this stage of the business buying process, the buying organization decides on the product and specifies the best technical product characteristics for a needed item. Obtaining the input from the second phase, the buying organisation has to develop the technical specifications of the needed items. In this phase, the product is broken down into items. The items in turn are sorted into standard ones and new ones which need to be designed. The specifications for both are listed. As a marketer, he must involve himself and his technical and financial counterpart to determine the feasibility and also to elaborate the services they can offer to develop and supply the product. Unless it is a known supplier many companies do not encourage the supplier participation at this stage. Customer relationships play a vital role here. Here is an example of how the supplier firm can help the buyer firm in this phase. Toyota Motor Corporation wanted to make a 'thinking car' which could learn, memorise and react to inputs from the human environment. They found Sony Corporation had developed a mechanical dog displaying these features. They involved Sony in the design of the car and developed a 'pod' which was displayed at the 35th Tokyo Motor Show. It is yet to be manufactured for the general public. Pod can exchange information with other vehicles, gauge the drivers' skill level; understand the drivers' mood etc. Instead of a steering wheel, it has a joystick. Sony Corporation was involved with Toyota Motor right from the design stage and its inputs were individual components styling the portable terminal, interior displays, joystick and development of ECU (Emotional Communication Unit) for expressing emotions. When LML's Kanpur facility was designing and developing 'Freedom', a 100 cc bike, it employed the services of several companies for designing and supply of many parts. Sriram supplied piston, Borg Warner of Germany supplied the cam chain, Daclin designed and supplied the frame and MRF was called in to develop tyres. The British firm Prodrine provided the technological inputs for changes in the gear system.

Figure 2.2: Organizational Buying Decision Process and Factors

Stage 4: Supplier Search: This phase pertains to the search for the qualified suppliers among the potential sources. The marketer has to ensure that he is in the list of potential suppliers. For this to happen, he has to make periodic visits to all potential companies and create awareness. Brochures have to be circulated and advertisements placed in specific media like trade journals. This phase only involves making a list of qualified suppliers. Stage 5: Proposal Solicitation: The lists of qualified suppliers are now further shortened based on some critical factors. For example, if the buyer is not willing to try any new firm which has not been in the market for more than three years, it can delist those suppliers. Then the purchasing departments ask for proposals to be sent by each supplier. After evaluations, based on the specified criteria, some firms are asked to come over for formal presentations. The proposal must include product specification, price, delivery period, payment terms, taxes of experts and duties applicable, transportation cost, cost of transit insurance and any other relevant cost or free service provided. For purchase of routine products or services, phases 4 and 5 may occur simultaneously as the buyer may contact the qualified suppliers to get the latest information on prices and delivery periods. For technically

complex products and services, a lot of time is spent in analysing proposals in terms of comparison on products, services, deliveries and the landed cost. A leading MNC which manufactures soaps requires the would-be suppliers to pass through three stages: that of a qualified supplier, an approved supplier and a select supplier. To become qualified, the supplier has to demonstrate technical capabilities, financial health, cost effectiveness, high quality standards and innovativeness. A supplier that satisfies these criteria then applies a sample lot for approval. Once approved, the supplier becomes a 'select supplier' when it demonstrates high product uniformity, continuous quality improvement and JIT delivery capabilities.

Stage 6: Supplier Selection: Each of the supplier's presentations are rated according to certain evaluation models. The buying organisation may also attempt to negotiate with its preferred suppliers for better prices and terms before making a final decision.

Stage 7: Order Routine Specification: After the suppliers have been selected, the buyer negotiates the final order, listing the technical specifications, the quantity needed, the expected time of delivery, return policies, warranties etc. In case of maintenance, repair and operating items, buyers are increasingly moving towards blanket contracts rather than periodic purchase orders. Blanket contracting leads to more single sources buying and ordering of more items from that single source. This system brings the supplier in closer with the buyer and makes it difficult for out-suppliers to break in unless the buyer becomes dissatisfied with the suppliers' prices, quality or service. SKF India, the Swedish multinational manufacturing bearings in Pune and Bangalore, was the single source supplier of ball bearings to TVS Motor Company, located at Padi in Chennai.

Stage 8: Performance Review: The final phase in the purchasing process consists of a formal or informal review and feedback regarding product performance as well as vendor performance. The buyer may contact the end user and ask for their evaluations which are in turn given to the supplier or he may rate the supplier on several criteria using a weighted score method or the buyer might also aggregate the cost of poor supplier performance to come up with adjusted costs of purchase including price. The performance review might lead to the buyer to continue, improve or drop a supplier. It is essential for a marketer to have a good relationship and always follow up any customer complaints as soon as possible. More than the defects and problems faced by the buyers in the product, it is the attitude of the supplier which is seen more in focus.

2.2 Organisational Buying Behaviour: Some Typical Characteristics

Concept Of Institutional Or Organizational Buying

Buyers' behavior can be divided into two types: Consumer buyer behavior and organizational buyer behavior. The ultimate consumers buy goods or services for consumption and different organizations buy goods or services for different purposes. Organizational buying means the activity of buying goods or services by organizations. An organization may be any industry, which buys raw materials necessary for production of finished goods, machines, machine parts, other supplies etc. Similarly government organizations such as ministry, departments, divisions etc. buy goods or services for their use. Hospitals, schools, campuses, financial institutions etc need to buy necessary materials, fuel, various supplies, construction materials and other goods or services. **Wholesalers**, retailers, distributors , resellers etc. buy goods or services to produce finished goods, resale, ultimate use etcThis is called organizational buying and the buying behavior of an organization is called organizational buying behavior. Some of the characteristics of organizational buying behavior are derived demand, geographical concentration, few buyers, large volume of sale, direct channel etc.

Figure 2.3: Categories of Organizational Buyers

The main characteristics of organizational buying behavior can be described as follows:

1. Derived Demand

Organizational buying is based on derived demand. Demand made by the ultimate consumers creates demand for industrial goods or services. For instance, the demand of electricity generators is determined according to the demand made by the consumers. Demand of organizational buyers changes in keeping with the changes in consumers' demand.

2. Geographical Concentration

Organizational buyers remain concentrated in certain geographical areas whereas consumers' **market** remains scattered all around. Producers want to establish industry nearby supply sources.

Mostly, the industrial market is determined considering transport facilities and cost. Along with this, raw materials, labor supply, climate conditions etc. are also considered.

Figure 2.4: Characteristics of Organizational Buying

3. Few Buyers And Large Volume

The number of organizational buyers remains small but the volume of sales is large. So, organizational marketers focus their efforts on a very small number of main buyers who buy goods or services in large volumes paying a big amount of price.

4. More Direct Channel Of Distribution

High quantity of consumer goods or services is sold out through a complex structure of wholesalers and retailers. This structure keeps producers and consumers separate or it works as the bridge between them. but in organizational selling, direct contact is established between

buyers and sellers. The organization, which buys in large volumes, buys necessary goods directly from producers.

5. Rational Buying

Organizational buyers use rational in buying goods or services compared to the ultimate consumers. They want to take more information about the features, quality, technical use, utility etc of products. Organizational buyers become aware of quality, services, delivery, price etc. of any **products**.

6. Professional buying

Compared to consumer buyers, organizational buyers become systematic, rational and professional. Buying agents become skilled professionals. They should take frequent training on the buying process, contract, material management and legal aspects of buying. Professional buyers develop formal methods of buying.

7. Complexity

Complexity is another characteristic of organizational buying. Under the organizational buying process, different persons participate in buying decisions. So it becomes difficult to make a buying decision. While making decisions on buying, it becomes necessary to know the role of users, motivator, decision maker and buyer whose effect goes on the buying process.

With the help of earlier discussions, we are now ready to identify some typical characteristics of organisational buying behaviour.

1. Organisational buying is a multi person buying activity: A large number of buying situations in organisations (manufacturing, government, hospitals, educational institutions) would involve many persons. These persons may be from different functions (production, purchase, design, maintenance), may have different backgrounds (engineers, MBA, graduates etc.) may have different hierarchical levels within the organisation (Managing Director, General Manager, Material Manager).

Further, persons in a buying situation may appear to play different roles over the entire buying decision exercise. A grand conceptualisation of various roles of the different members is the

54

concept of the Buying Centre. The various members of the buying centre may appear to play any of the following roles:

• Users like production department person

• Influencers like Managing Director, Design Engineers or Consultants

 • Deciders like the committee appointed by Pragati Enterprises

• Buyers like the people from the purchase or materials department

• Gatekeepers like those who can control the flow of information within an organisation

• Specifiers like consultants or design or production people who may develop the specifications of the product or services needed. The concept of Buying Centre is a very useful conceptualisation and it can help immensely in developing effective marketing strategies.

 2. It is a formal activity which follows the procedures laid down in an organisation : Irrespective of the rupee value of technical complexities of products and services, buying activities have to conform to the formal process and procedures of an organisation. Even for emergencies, a typical organisation would have a set of policies, and it is imperative for the suppliers to be aware of these. Further, all buying decisions are finally converted into formal contracts between buyers and suppliers.

3. Longer time lag between efforts and results: Due to multi person and a formal activity: The organisation buying decisions take typically longer time. This leads to greater time lags between the application of the market effort and obtaining the buying response. A marketer may develop unrealistic plans if he is unaware of the response time of his customer for various buying situations.

 4. Rational but also emotional activity: In spite of a formal activity following a rational criteria of evaluation, organisational buying cannot be devoid of the emotional (or irrational) aspects. This is because it involves human beings in the buying decisions.

 5. The uniqueness of organisations: In spite of the above common characteristics, no two organisations would be similar in their buying behaviour and decisions, These differences would

be due to the nature of buying problems, objectives, resources, capabilities and so on, It is therefore important to consider each organisation as a separate segment at the selling level. Above characteristics are indicative enough to claim that organisational buying behaviour is more complex than consumer buying behaviour. It is not only more complex than consumer buying behaviour, but also more complex than any other types of decisions within the organization.

Figure 2.5 : Characteristics of Organizational Buying

The added complexity, as claimed by Webster and Wind, is primarily due to four factors:

1) Purchasing workflow is almost entirely crosswise in the organizations.

2) Formal authority over buyers (purchase department executives) can be in the hands of either a purchase manager or any functional manager like production manager.

3) A major work of the `purchase function' is with people outside the organisation.

4) Purchasing is a service function and this may have the perception of a lower status within the buying organisation.
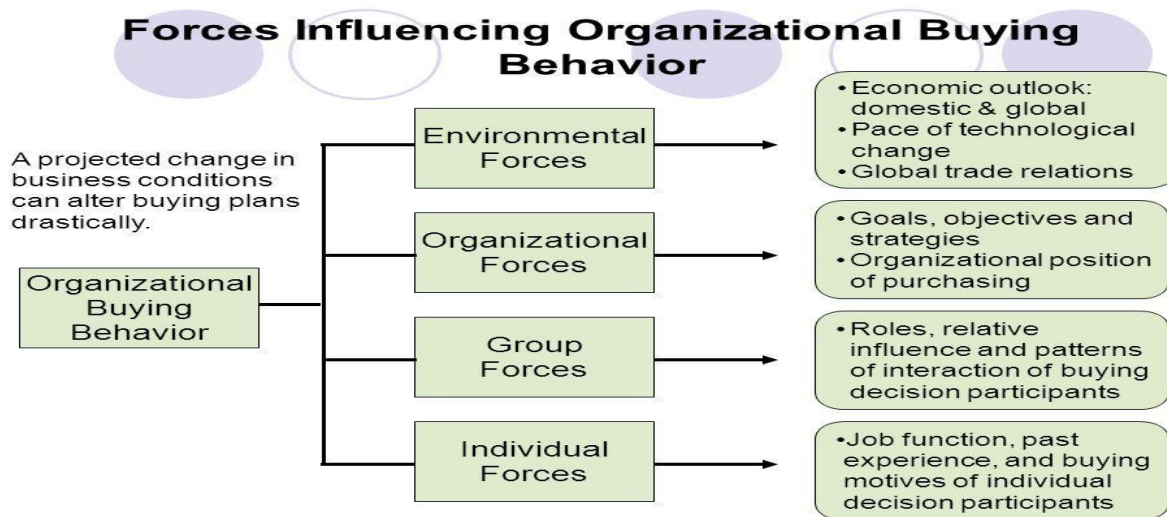
Figure 2.6: Forces Influencing Organisational Buying Behaviour

2.3 Organisational customers can have several types and forms.

Organizational Customers Definition

We need to understand the organizational market. For making a car, many components are required, to market help of a distribution channel is required. It is a chain. The area is very vast and heterogeneous. Organizational marketing or "ghost" organizational customer, as the customer is huge and unlimited. There are many types of organizations with different classifications. These require different types of raw materials. In manufacturing a car one needs all types of material. Iron sheets to wires, to screws, bolts, iron strips.
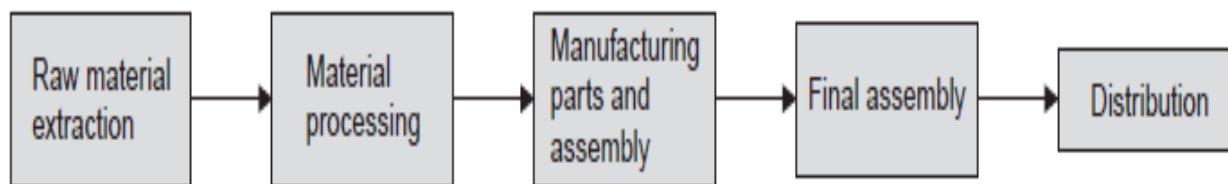
Figure 2.7: Types of Organizations with Different Classifications

Electrical gadgets, batteries, glass windows and screens, rubber goods, aluminum goods and hundreds of other materials. The suppliers of these materials also require raw materials for their

use. Hence, there is an endless chain of suppliers of raw materials. What is a finished product for an industry, can become raw material for the other industry.

Organizations can be classified as Industrial-industries scattered all over the country,and they constitute all organizations involved in manufacturing, assembling, fabrication,etc.

Institutional

These organizers cover universities, hospitals, distribution firms, and advertising firms.

Government organization

Like the PWD, the DGS and D organizations, several collecting organizations, several boards and government administrative organizations.

Public organization

Post, telegraph, and telecommunication, water works, health organizations.

Private organization

There are many other firms in which the organization exists. These are:

Mining and extractive industries: These include Coal India ONGC, Hindustan Copper Limited, industries involved in extraction from ore.

Material processing industries: Tata Steel, Steel Authority of India, Bharat Aluminum Company (BALCO), Hindalco, etc.

Manufacturing of parts and assembly: General Electric Company, Larsen Toubro, Kirloskar, MICO, Bharat Forge and many other industries involved in making parts and assembly.

Final assembly: Local brands of cooler manufacturers, shelves, cupboards, trays, tables, chairs, TV manufacturers, truck manufacturers, computer manufacturers.

Distributors

These firms undertake the distribution of various goods, and many products are marketed by them. These include consumable goods, office goods, food products, bearings, tubes, electrical appliances. They may be in the form of marketeers, distributors, agents, middleman or agents.

Mining and Extractive Industries: Coal India Limited, ONGC, Hindustan Copper Limited are some examples. Material Processing Industries: Tata Steel, Steel Authority of India Limited (SAIL), Bharat Aluminum Corporation (BALCO) are some examples.

Manufacturing of Parts and Assembly: Bharat Forge, MICO, Sundaram Clayton, Semiconductors of India Limited, GEC, Larsen & Toubro are some amongst a very large number of part and assembly manufacturers catering to a variety of needs.

Final Assembly: Desert Cooler Manufacturer (there are several local brands), T.V. manufacturers (Onida, Weston, Nelco), Truck manufacturers (TELCO, Ashok Leyland) and the like are some examples. Like components and parts manufacturers, there could be many assembly units for numerous end products.

Distributors: These could be several for each product like bearings, tubes, steel, electrical appliances and so on.

Perhaps, it is now easy for you to recognise that the area of operation of what we call "organisational marketing" is very vast and heterogeneous. In such a scenario, a legitimate question would be the validity of generalisations in the form of 'typical characteristics '.

Thus, from the viewpoint of practice, it is imperative to study the organisational buying behaviour for the specific product-market situation. A second way to identify the organisational customers is to classify them into three categories. Industrial (all manufacturing organisations), Institutional (service organisations like universities, hospitals, hotels, distribution firms) and government (CPWD, DGS & D, Defence and so on). Besides the ownership pattern (public, private, government) and type of business (manufacturing, service) it is important to remember that it is neither the size (big, medium or small) nor the products, which separates organisational customers from household customers.

2.4 What Influences Organizational Buying?

So far we have discussed the meaning, characteristics of the organisational buying behaviour and the constituents of the organisational markets. We will now discuss the factors which may directly or indirectly influence the organisational buying behaviour. A segment of economists. and marketers believe that the dominant influences are essentially economic. Lowest price or

lowest cost are thus considered as the only criteria to select suppliers. On the other hand, A few take another extreme view of declaring all organisational buying as an emotional or non-rational act as it involves human beings making it difficult to maintain rationality or objectivity. Accordingly, some suppliers feel that with strong personal relationships or with the ability to win over the purchases through lures and. personal attractions, they may get preference over others. Both the viewpoints are the two extremes and reflect only a limited view of reality. What perhaps is needed is a balanced viewpoint recognising that organisational customers respond to both economic and personal factors. Where there is a close similarity in supplier offers; organisational customers have little basis for only economic criterion.
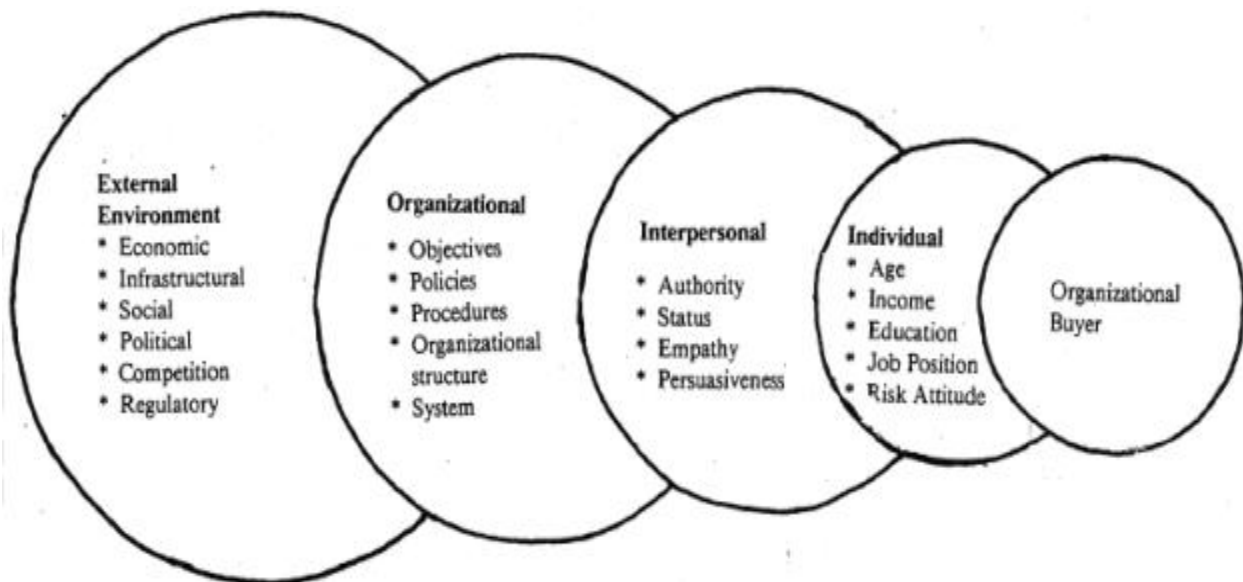
Figure 2.8: Major Influences on Organisational Behaviour

Environmental Factors: These factors include economical, political, technical, legal or regulatory, technological, infrastructural and cultural factors. Environmental factors interact with each other to produce information, values, norms and general business conditions. The influence of environmental factors can be pervasive. A handy Indian example is that of credit squeeze announced by the commercial banks around 1975 against inventory holdings. This was based on the Tandon Committee Report on the management of working capital by the firms. This single change in the environment, i.e., credit squeeze on inventories had a salutory effect on

organisational buying behaviour and led to major structural and procedural changes in the buying behaviour of industrial customers.

Organisational Buying Process

Organizational buying has certain processes. The following figure shows the organizational buying process. There are eight stages. An organization may go through all of these stages as follows or it may change some of them. This depends on buying quantity, buying price, nature of goods, buying frequency etc.
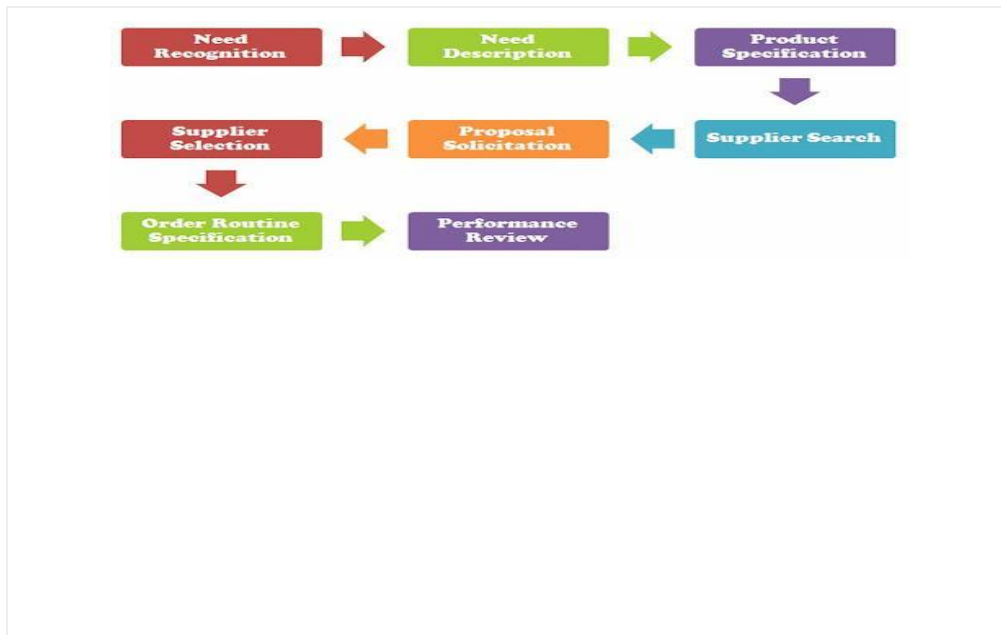
Figure 2.9: Stages of Organizational Buying Process

1. Need Recognition

Organizational buying process starts from need recognition. In an organization, a certain person recognizes the need for certain goods and after buying the needed goods, the need is fulfilled. Needs in organization can be recognized in two ways. They are: external stimuli and internal stimuli. If a company decides to produce new goods, it is an internal stimulus. It needs to buy new goods and equipment. Similarly, when a buyer observes trade exhibitions, s/he may make

his/her idea to buy new goods. Such an idea is external stimuli, because this idea is made from the outer environment and materials should be purchased for this.

2. Need Description

After the need is recognized, the buyers should describe the need. This task is completed in the second stage of the organizational buying process. While describing need, features of needed goods and needed quantity should be described. If the goods have standard, this task becomes easy; if otherwise, it becomes complicated. Help of engineers, users and consultants should be taken for complex goods.

3. Product Specification

The task of preparing specific descriptions of goods is the third stage of the organizational buying process. In this stage, describing the performance of goods is prepared to solve the problems. Technician's help should be taken for this task. In this stage, the value of goods is analyzed.

4. Supplier Search

At this stage of the organizational buying process, the buyer searches for proper suppliers or sellers. Buyer prepares a list of suppliers to select good and proper suppliers. This list is prepared by looking at the trade directory, searching on the Internet, asking other companies for suggestions etc. If the goods to be bought are new, complicated and costly, it takes a long time to search for suppliers.

5. Proposal Solicitation

Proposal solicitation is the fifth stage of the organizational buying process. At this stage, buyers call the best suppliers for submitting proposals. As a reaction, some send catalog or sellers to the

organization. If the product is costly and complicated, the buyer demands a detailed proposal, and if the product is technical, the business organization calls for presenting the product itself.

6. Supplier Selection

At the sixth stage of the organizational buying process, buyers assess the proposal and select one or more suppliers. For selecting the suppliers, a list is prepared and rating is made on the basis of their attribute and importance. Then the best supplier is selected. Analysis of the suppliers is done in the following ways.

Supplier attribute	Rating				
	Very poor (1)	Poor (2)	Fair (3)	Good (4)	Excellent (5)
Price competitiveness			x		
Product quality, reliability					x
Service and repair capabilities					x
On-time delivery			x		
Quality of sales representatives				x	
Overall responsiveness to customer needs					x
Overall reputation Average Score = 4.29					x

Table 2.1: Analysis of the suppliers

7. Order Routine Specification

After the best suppliers have been selected, the buyer prepares the final order. In this order, all the matters such as attribute of goods, quantity, specification, time for supply, warranty, method of payment, service after sale etc. should be clearly mentioned.

8. Performance Review

This is the last process of organizational buying. At this stage, the buyer reviews suppliers' performance. This type of review helps to make a decision whether to continue a relationship with the supplier or change or end the relationship. If the performance of the supplier is satisfactory, the relation can be continued; if it is somewhat defective, if partial correction is made and the relation is maintained. But if the performance is disagreeable, it is broken.

Stages of the buying process	Buying situations		
	New task	Modified rebuy	Straight rebuy
1. Problem recognition	Yes	May be	No
2. General need description	Yes	May be	No
3. Product specification	Yes	Yes	Yes
4. Supplier search	Yes	May be	No
5. Proposal solicitation	Yes	May be	No
6. Supplier selection	Yes	May be	No
7. Order-routine specification	Yes	May be	No

8. Performance review	Yes	Yes	Yes

Table 2.2: Performance Review

2.5 The Organizational Buying Situations

An organisation needs to buy a variety of products and services to achieve its objectives. Robinson, Faris and Wind have classified the various buying situations into three categories:

Figure 2.10: Organisational Buying Situations

1. Straight-Rebuy Situations: This situation is similar to repeat buying situations of consumer/household buying. In this the buyer keeps on placing the order on a routine basis without changing any product specifications (stationery items, chemicals, lubricants, abrasives, paints are some examples). Some typical characteristics of the routine buying situations are:

a) Routine purchasing procedures exist,

b) The buying alternatives are known, but a formal or informal list of `approved' suppliers is available.

c) A supplier, not on list, is not considered.

d) Decision on each separate transaction is made by the purchasing department. e) Buyers have relevant buying experience and require little new information.

2. Modified Rebuy: In a modified rebuy situation, a buyer may change the product specifications or may even change to a substitute product for economic and performance considerations. Thus using aluminum instead of copper wires, nylon bushes instead of brass and using hydraulic excavators instead of mechanical are some examples. In this situation, some familiarity with either product or its performance expectations does exist. Some characteristics of the modified rebuy situations are:

a) A regular requirement for the type of product exists.

b) The buying alternatives are known, but sufficient change has occurred to require some alteration to the normal supply procedure.

c) Change may be stimulated by external events, e.g. inputs from supplying companies.

d) Change may be stimulated by internal events, e.g., new buying influences, value analysis, reorganisation.

3. New Task : New Task' is a situation where the organisational customer buys the product for the first time without having any previous experiences (personal computers, plain paper copiers, fax machines, CNC machine tools are some products for which little experience exists amongst a large number of the Indian organisation). Some of the characteristics, for `new task' situations are:

a) Need for the product has not arisen previously.

b) Little or no past buying experience is available to assist in the purchasing decision.

c) Members of the buying unit require a great deal of information.

d) Alternative ways of meeting the need are likely to be under review.

e) The situation occurs infrequently, but the decisions taken may set a pattern for more routine purchases subsequently.

f) Opportunities exist at an early stage in the decision process for external (marketing) inputs to have an influence on the final decision made.

2.6 Summary

Organisational buying behaviour is a complex process in decision making. A variety of influences and factors add to this complexity. The buying behaviour of a firm would vary for 'new buy' situations to `repeat buy' situations. In order to comprehend various dimensions it may help to seek answers to some basic questions like:

• How does an organisation buy?

• Who takes the buying decisions in an organisation?

• What factors influence the buying behaviour of an organisation?

• Who constitutes the organisational markets?

• What evaluation criteria is used to select the vendors?

The area is vast as it encompasses thousands and thousands of product market situations, which in some sense may appear as unique and distinct from each other. It is therefore suggested to relate some specific situations with the general views discussed in this chapter. This will facilitate your comprehension of this complex diversity.

2.7 Self Assessment Questions

1. How would you differentiate between organisational buying and individual buying. Taking the example of purchase of stationery of your personal we and for organisational purposes, explain the differences.

2. Discuss the major influences on organisational buying.

3. Explain the Fischer model of organisational buying behaviour.

4. Discuss the criteria affecting the selection of suppliers by an organisation. Try to find out the process and factors influencing the supplier selection for your organisation and compare it with what you have studied.

5. Try to identify three or four purchase situations which enable you to use the issues and concepts discussed in the section of buying influences and perceived risk in these situations.

2.8 Suggested Readings

- Aggarwal, ManqJ K.; Burger, Philip C.; and Reid, David A. "Readings in Industrial Marketing,"' Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1986.
- Alexander, Ralph., Cross, James, and Hill, Richard M. "Industrial Marketing," 3rd ed. (Illinois: Homewood Irwin, 1963).
- Ames, Charles B., and Hlavaack, James D. ``Managerial Marketing for Industrial Firms" (New York. Random House Business Division, 1984), pp. 247-265.
- Choffray, Jean-Maris; and Lilien, Gary- L. "Market Planning for New Industrial Products", John Wiley & Sons, New York, 1980.

UNIT- 3 INDIVIDUAL INFLUENCES ON BUYING BEHAVIOUR

Unit Structure

3.0 Unit Objective

3.1 Factors affecting Consumer Behaviour

3.2 Perceptions

3.3 Elements and Dynamics of Perception

3.3.1 Sensation (Exposure to Stimuli)

3.4 Differential Threshold

3.5 Subliminal Perception

3.6 Attention

3.7 Perceptual Selection

3.8 Stimulus Factors

3.9 Expectations

3.10 Motives

3.11 Selective Exposure

3.12 Selective Attention

3.13 Perceptual Vigilance and Defense

3.14 Perceptual Blocking

3.15 Perceptual Organisation (Interpretation)

3.16 Grouping

3.0 Unit Objectives: This unit gives a detailed understanding of perception, consumer motivation and involvement, attitude and attitude change, learning, personality and self concept.

3.1 Factors affecting Consumer Behaviour

Why do we need to learn about consumer buying behavior? The simple answer is that no longer can we take the customers for granted. Consumer buying behavior determines how our consumers decide to buy our product and what are the various factors responsible for this decision? To fully understand how consumer behavior affects marketing, it's vital to understand the two factors that affect consumer behavior: psychological, personal, and social.
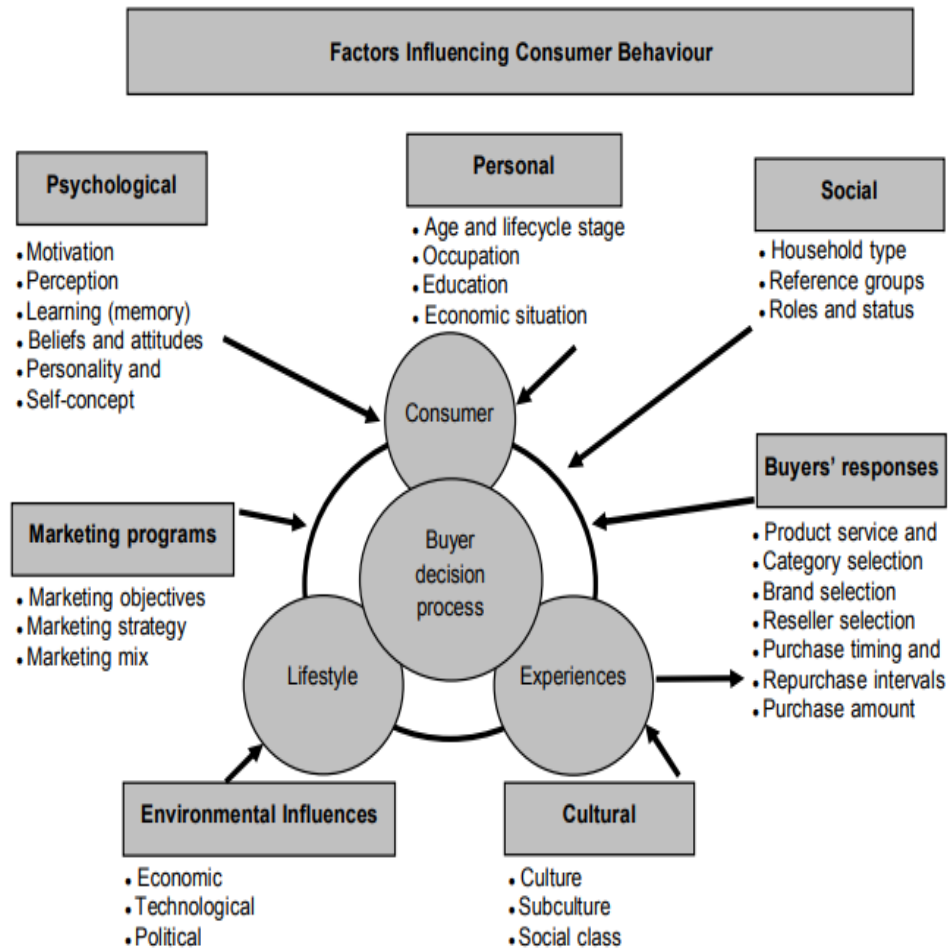
Figure 3.1: Factors affecting Consumer Behaviour

What are internal influences on consumer buying behaviours?

Internal influences are personal influences and they include consumers' perceptions, attitudes, motivations and lifestyles. These internal influences affect consumers' purchase decisions. The major internal influences include:

1. Personality: Personality affects the way consumers search for information about products or services that they want to buy, such as whether a customer is an active info seeker or a passive info receiver. Personality sways consumers' lifestyle choice, while lifestyle not only influences their opinions and attitudes towards products and services in general but also motivates them to take certain activities, which may bring about the need or desire to purchase relevant products and services.

2. Motivation: Motivation relates to consumers' desire to obtain a certain product or service, such as having the plan to purchase a product for a long time or being prompted to buy a product by an advertisement in the media. A consumer's motivation can be affected by number of factors, such as financial resource (e.g., whether he can afford the purchase), time constraints (e.g., if he needs to make the purchase within a certain time frame), overall value (e.g., if the product or service is worth Consumer Behaviour his money), and perceived risk (e.g., what will be the consequence if he makes a bad purchase decision). The motivation is also closely tied to consumers' purchase involvement. Highly motivated consumers will want to get mentally and physically involved in the purchase process and are more likely to be influenced by promotional campaigns.

3. Experiences: Get a profile of your customer's past experiences with the similar product or service and even the purchase process can have an impact on the future purchase decision. When searching for the products or services, consumers often compare the incoming information to a frame of reference previously formed, and those who do not fit into the frame are filtered out. Consumers' experiences on certain products or services are directly associated with their expectations. While experience is the memory of what has happened in the past. The expectation is an imagination about what will be happening in the future. If what happens does not match with what was envisaged, the consumers will feel disappointed hence the experience will be negative, which could prevent them from having future purchase of the similar products or services.

What are external influences on consumer buying behaviours?

Consumers' values, attitudes, beliefs and opinions are shaped by their cultural, social and economic backgrounds. These external influences affect consumers' attitude towards products and services. The major external influences include the followings:

1. Family influence: Family influence affects a consumer's buying behaviour both ways:

(a) The influence on the consumer's personality, attitudes and evaluation criteria towards products and services.

(b) The influence on consumer's purchase decision-making process as the family members are usually the first to be consulted with when the consumer plans to purchase a product or service.

2. Influence from friends and colleagues: Friends and colleagues may not necessarily get involved in the purchase decision-making process like family members would do, but often serve as important-sounding boards for the ideas of products or serves purchase;

3. Influence from an environment in which a consumer lives: Environmental influence includes the location, the cultural atmosphere and the overall economic situation. The products and services favored by consumers from NSW regional areas are often different from those of Sydney. Customers in semi-tropical Darwin are also likely to have different requirements for products and services than the residents in Adelaide.

4. Culture: Culture refers to the traditions, taboos, values and basic attitudes of the whole society within which an individual lives. It is essentially associated with a certain nationality or religious identity of an individual. Cultural norms are learnt by an individual from childhood and their influence is so ingrained that it is invisible in everyday behaviour. Culture teaches an individual the acceptable norms of behaviour and tells him the rights and wrongs. When an individual deviates from acceptable norms, certain sanctions are imposed on him.

5. Influence from Advertising: A well-written strategically-placed advertisement has the power to change consumer behaviour if it delivers what is promised. Advertisements can draw consumers' attention to the problems that they may not consciously notice or consider there is no

need to be resolved. And if an ad makes a convincing beneficial evaluation of the product or service, it can help consumers to make a positive purchase decision.

3.2 Perceptions

You will now learn a very important aspect that influences consumer's behaviour - individual perceptions. Reality to an individual is that individual's perception is a personal phenomenon, on the basis of which the individual acts or reacts and not on the basis of objective reality. For this reason, marketers are particularly interested in consumers' perceptions rather than their knowledge of objective reality. Simply put, perception is "how we see the world around us."Customer perception definition: "Marketing concept that encompasses a customer's impression, awareness, or consciousness about a company or its offerings." Customer collects information about a product and interprets the information to make a meaningful image about a particular product. This is called customer perception. When a customer sees advertisements, promotions, customer reviews, social media feedback, etc. relating to a product, they develop an impression about the product. The entire process of customer perception starts when a consumer sees or gets information about a particular product. This process continues until the consumer starts to build an opinion about the product. Everything that a company does affects customer perception.

Market competition
Consumer preferences
Product differentiation
Brand communication
Consumer services

Perceived use value
Product attractiveness
Social and peer influence
Quality and lifestyle

* Personality integration

* Social value integration

Business Environment — Consumer experience / Corporate push — **Consumer Perception** — Building attitude / Experience sharing — **Consumer Behavior**

* Referrals
* Co-creation
* Diffusion

Innovation and technology
Country of origin
Psychodynamics
Consumer communities

Repeat buying
Value for money
Satisfaction

* Repeat buying
* Brand loyalty
* Value creation

Figure 3.2: Consumer Perception

The way the products are positioned in a retail store, the colors, and shapes in your logo, the advertisements that you create, the discounts that you offer, everything impacts the customer perception. For example, Avon uses a pink color with white and black accents.

This color predominantly attracts women while men feel alienated by pink. The customer perception is built based on the colors used in the logo. But if a product is trying to attract both men and women, using just pink might not be a good idea.

Figure 3.3: The Vicious Circle of Consumer Perception

Figure 3.4: The Four Elements of Consumer Perception

Customer perception or consumer perception plays a major role in buying behavior. Hence companies are going the extra mile to create a pleasant and happy customer experience for its

customers. Companies are ready to spend money and effort to influence customer perception and drive profitable consumer behavior.
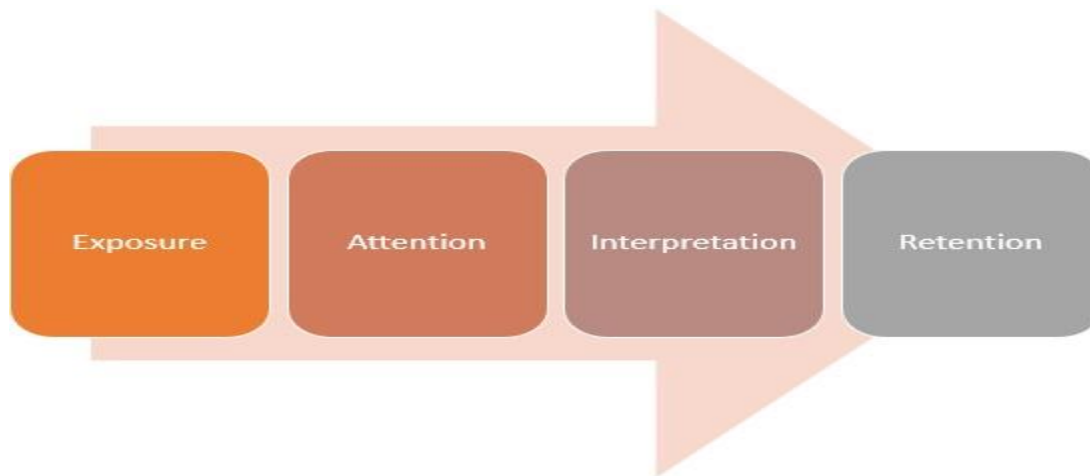
Figure 3.5: The Process of Consumer Perception

What are the Factors Influencing Customer Perception?

Customer perception can be influenced by external factors, some of which are listed below:

1. Personal experience

Customer perception is highly influenced by the personal experience that a customer had while buying and using a particular product. If the quality, customer service, price, logo, color, discounts, etc. were able to make an excellent impression on the minds of the customers, they would build a good perception of the brand. But in case they did not enjoy the experience with the brand, it will leave an everlasting impression.

2. Advertising

Customers get to see the products first through advertisements and therefore become one of the biggest factors that influence customer perception. The advertising and campaigns that a company runs will help to build a positive customer perception.

3. Influencers

People generally buy things when another person has tried and tested it. Such people who have bought it first and tried the product become influencers. When people hear about the great product that the influencer has tried out, it will influence the person to buy it and test it out, as the recommendation has come from a known person whom they trust.

4. Customer reviews

Many people look into the customer reviews before buying a product. This shows that customer reviews are an important factor in defining customer perception. If the consumers see that a product has a lower number of stars it means that product does not have good customer reviews. The impression that it creates on the consumer's mind is negative.

5. Social Media

Social media has become the strongest medium to manage customer perception. When social media audiences get consistent communication regarding a product, the users build an image of the product. Social media can be used to post content, images, videos, etc. which helps to build the kind of perception intended by the company.

3.3 Elements and Dynamics of Perception

Schiffman and Kanuk have defined perception as "the process by which an individual selects, organises and interprets stimuli into a meaningful and coherent picture of the world." A stimulus is any unit of input to a sensory receptor. In a marketing context, the stimuli include brand names, advertisements, colours, sounds and packages etc.
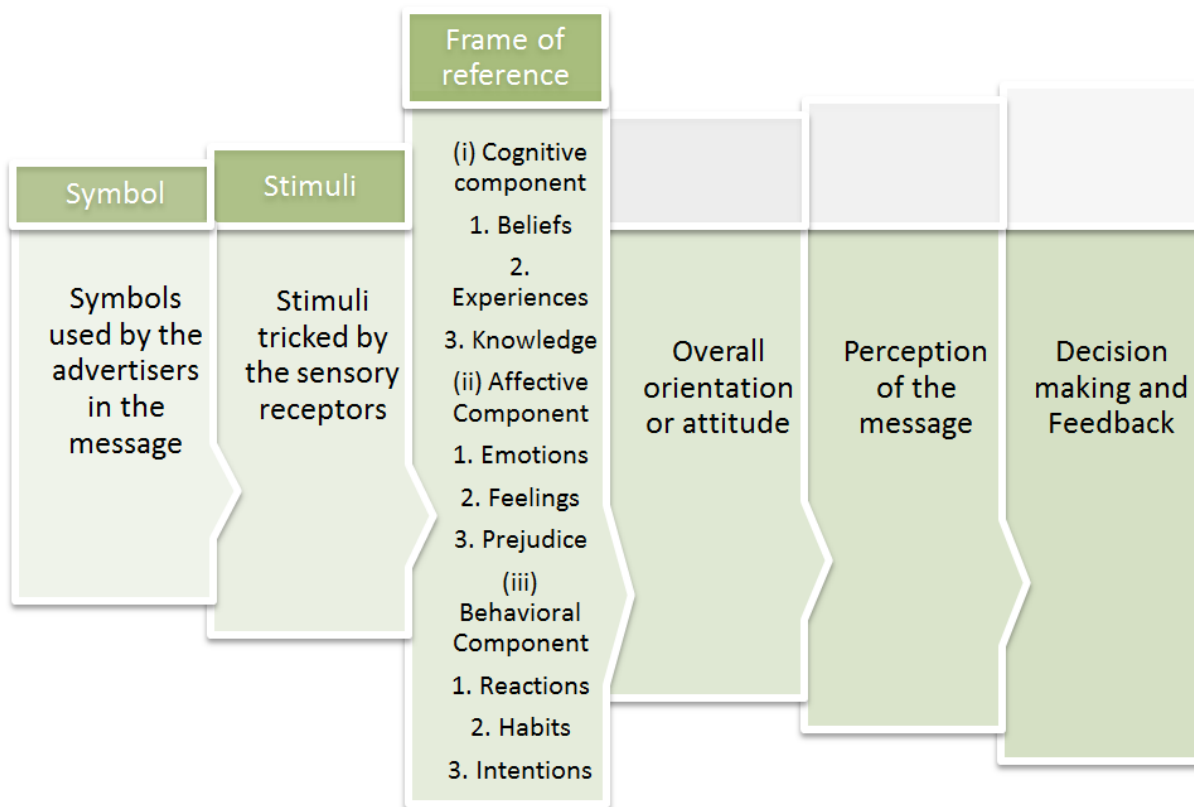
Figure 3.7: Dynamics of Consumer Perception

3.3.1 Sensation (Exposure to Stimuli)

Sensation is the immediate and direct response of sense organs to simple stimuli such as an advertisement, a brand name, or a package etc. Sensitivity to stimuli varies among individuals and depends on the quality of sensory receptors.

Example: Some people have more acute hearing or sharper eyesight. Sensation for a stimulus depends on differentiation of input. A relatively static and unchanging environment provides little or no sensation even though the sensory input is strong. For example, a person living near a busy railway station would probably receive no sensation from car or train horns or other traffic noises. Increase or decrease of one or two honking horns would never be noticed. When the quantum of sensory inputs is high, the senses fail to detect small differences in sensory inputs.

3.3.2 Absolute Threshold

Absolute threshold refers to the lowest level at which an individual can experience a sensation. At this point an individual can detect a difference between "something" and "nothing" and this point would be that individual's absolute threshold for that stimulus. For instance, one individual may sense the sound pitch at 20 cycles per second and the second individual may sense the sound pitch at 30 cycles per second. Absolute threshold for sound in the case of these two individuals would be different. Many individuals' ability to discriminate sensory characteristics such as taste, smell, hearing, or feel is small. The senses are likely to become increasingly dull under conditions of constant stimulation and the absolute threshold increases.
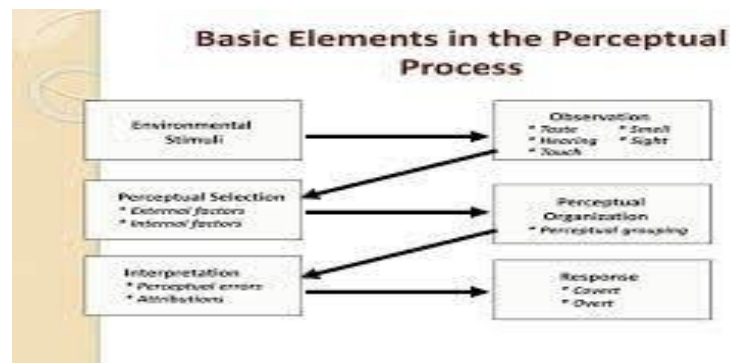
Figure 3.8: Basic Elements of Consumer Perceptual Process

For example, if someone drives for half an hour through a corridor of billboards, it is doubtful that any particular billboard will register any impression. This is known as 'adaptation' and refers to "getting used to" certain sensations.

Sensory adaptation is a problem for many TV advertisers because of advertising clutter. It is because of this reason that advertisers are inclined to change their ad campaign frequently fearing that target audiences will get so adapted to the current ads that these will no longer provide sufficient sensory input to be noticed.

3.4 Differential Threshold

Differential threshold is the smallest detectable difference between two values of the same stimulus. This is also referred to as JND (Just Noticeable Difference). A German scientist of the nineteenth-century, Ernst Weber discovered that the just noticeable difference between two

stimuli was an amount relative to the intensity of the initial stimulus. To measure the differential threshold for a stimulus, one commonly changes its intensity in very small amounts. An individual's threshold exists when she/he first notices that the stimulus has changed. The difference between this value and the starting value is the just noticeable difference. Weber's Law (after the name of the scientist) states that stronger the initial stimulus, greater the additional intensity needed for the second stimulus to be perceived as different. For example, if a producer raises the price of its car by four hundred rupees, probably it would not be noticed because the Notes increase would fall below JND The difference in price may become noticeable if the increase were to be one thousand rupees or more.

Exhibit 3.1: Differential Threshold of Consumer Perception

To be noticed, an additional level of stimulus equivalent to JND must be added to make the difference perceptible. Likewise, if the reduction in price of the same car is 400, it again is unlikely to be noticed falling below the level of JND.

Sensory Thresholds

- Differential threshold: differences in sensation between two stimuli
  - Minimum difference between two stimuli needed for detection is the JND (just noticeable difference)
- Example: packaging updates must be subtle enough over time to keep current customers from recognizing changes

Exhibit 3.2: Sensory Threshold of Consumer Perception

Marketers use Weber's law to predict how consumers will respond to differences between marketing variables or changes in these variables. In certain situations the marketer's objective is to have consumers detect differences such as when product improvements are made or price is reduced. In other cases, the objective is to have the differences escape attention such as reductions in product size or quality, increases in product price, or changes in packaging when package design is important for ready recognition by consumers.

3.5 Subliminal Perception

People can also perceive stimuli which are below their level of conscious awareness. In this situation, the stimuli which are otherwise too weak or brief to be consciously seen or heard prove strong enough to be perceived.

When the stimulus is below the threshold of awareness and is perceived, the process is called subliminal perception. This shows that the threshold of conscious awareness is higher than the absolute threshold for effective perception. Disguised stimuli, not readily recognized by consumers, are called 'embeds'. These embeds are believed to be planted in print advertisements to influence consumers' purchase behaviour. A number of research studies suggest that

individuals differ in their susceptibility to subliminal stimuli and that subliminal messages can trigger basic drives such as hunger but stimulation does not necessarily precipitate action.
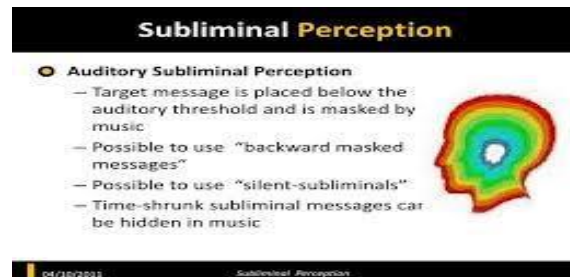
Exhibit 3.3: Subliminal Perception of Consumer Perception

Disguised stimuli, not readily recognized by consumers, are called 'embeds'. These embeds are believed to be planted in print advertisements to influence consumers' purchase behaviour. A number of research studies suggest that individuals differ in their susceptibility to subliminal stimuli and that subliminal messages can trigger basic drives such as hunger but stimulation does not necessarily precipitate action.
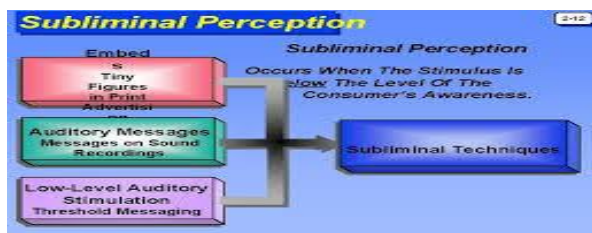
Exhibit 3.4: Subliminal Perception of Consumer Perception

Subliminal research studies are inconclusive as far as impact of advertising is concerned. Research on subliminal perception seems to be based on two theoretical approaches

1) the effect of constant repetition of very weak stimuli adds up to produce response strength and

(2) subliminal stimuli of a sexual nature arouses unconscious sexual motivations.

Exhibit 3.5: Characteristics of Subliminal Perception

Research studies have so far failed to indicate that any of these theoretical approaches can be put to effective use in advertising to increase sales.

3.20 Consumer Motivation and Involvement

Motivation is said to be the driving force within us. It is produced by a state of tension caused by our unfulfilled needs and wants. We strive to reduce this tension through appropriate behaviour that we expect will satisfy our needs. Much depends on our thinking and learning in selecting the goals and the patterns of behaviour that we believe will satisfy our needs. Whether our need is fulfilled leading to reduction of tension depends on the course of action that we take.

PROCESS OF MOTIVATION
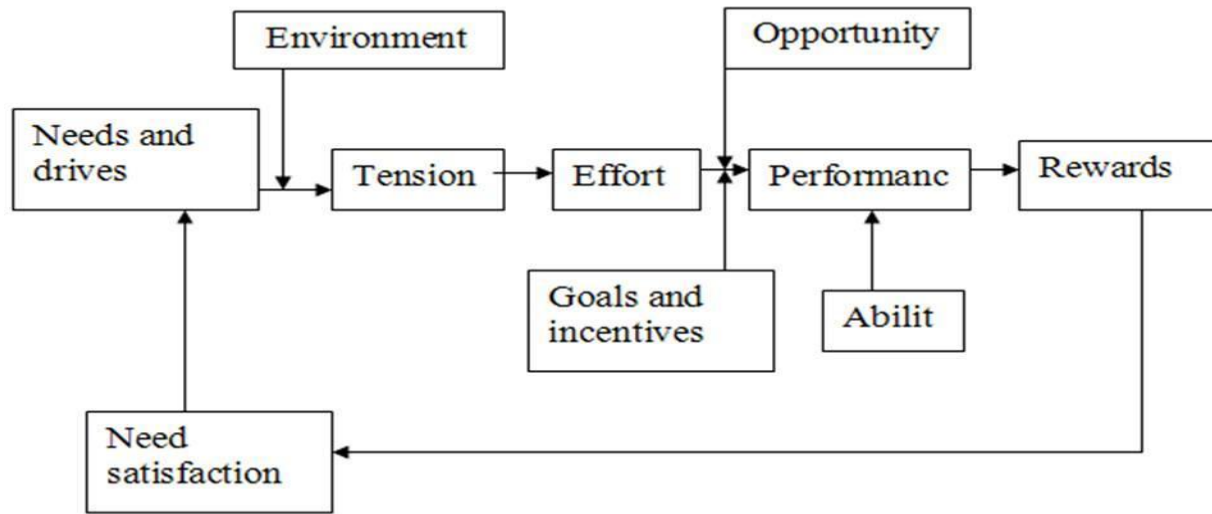
Figure 3.9: Process of Motivation

3.21 Dynamics of Motivation

As defined earlier also, consumer motivation is an internal state that drives us to identify and buy products or services that fulfill our conscious and unconscious needs or desires. The fulfillment of those needs can then motivate us to make a repeat purchase or to find alternate goods and services to better fulfill those needs.

The Dynamic Nature of Motivation

- Needs are never fully satisfied
- New needs emerge as old needs are satisfied
- People who achieve their goals set new and higher goals for themselves
- Success and failure influence goals
- Substitute goals
- Multiplicity of needs
- Needs and goals vary among individuals
- Frustration

Exhibit 3.13: Dynamics of Motivation

3.22 Level of Motivation

The level of motivation would depend on the intensity of our need. Our motivational levels may vary from low to high depending on how important that purchase is. Influences include familiarity with the purchase, status factors and overall expense and value. Where fulfillment rewards are low, as with routine purchases like salt, sugar, tea, shampoo etc., motivation levels are also relatively low and involve little decision-making behavior. On the other hand, with a complex, risky and emotionally-charged process such as buying a new car, the drive to achieve the best result is high. Motivational levels differ greatly between individuals and are influenced by many external variables. These include the social value of making the "right" decision, beliefs about brands and alignment of brand values and personal values. If other people are involved in the decision, their motivation also affects the behavior of the primary consumer.

3.23 Motivational Behaviour

The behavioural aspect of consumer motivation concerns the actions we take before purchasing and consuming goods or services. We might do a lot of research-evaluating alternatives, testing and sampling-before making a purchase decision. We might decide to buy something based on which goods or services most closely meet and satisfy motivational wants and needs. Marketers

aim to gain the most impact and eventual sales by linking their products and services to clearly defined consumer needs and by understanding what motivates people to buy.

3. 31 Personality and Self Concept

Motivations are forces that stimulate and direct you towards performing purposeful goal-oriented behaviour and your personality guides your behaviour chosen to achieve specific goals in different situations.

Marketing Enhances A Prospect's Self Concept

Product benefits MUST merge with the desired emotional benefits. Examples:

- The emotional benefit helps to support customers' self-concept - how they WANT to see themselves;

- Prospects are able to say something GOOD about themselves because they use a particular product or brand;

- People use a product because they want to feel good about themselves in a particular way;

- The product CONTRIBUTES to a prospect's positive sense of self-esteem.

Exhibit 3.17: A Prospect's Self Concept

When marketers talk of personality, they refer to a dynamic concept describing the growth and development of an individual's whole psychological system, which looks at some aggregate whole that is greater than the sum of the parts. The most frequently quoted definition of personality is that of Gordon W. Allport. According to him, "Personality is the dynamic organisation within the individual of those psychological systems that determine his unique adjustment to the environment." There seems to be much controversy regarding the exact nature of personality, the value of studying such a vast area and the appropriate way to measure it.
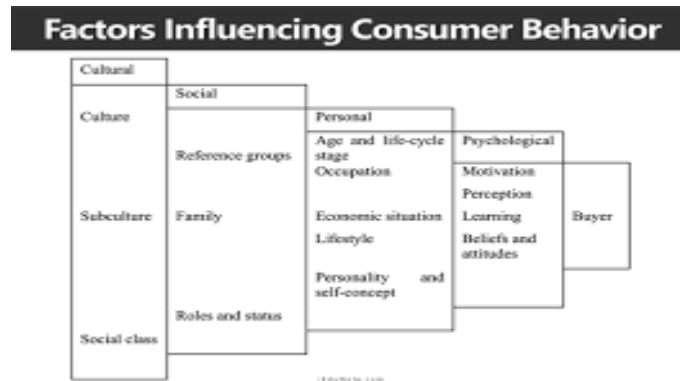
Figure 3.25: Factors Influencing Consumer Behavior

In the context of application to marketing, three distinct properties of personality appear to be of central importance:

1. Personality is used to account for differences between individuals rather than the similarity.

2. Personality is generally believed to be consistent and enduring over time and tends to carry to a variety of situations.

3. Despite the fact that personality tends to be consistent and enduring, it may change due to major life events such as marriage, birth, death in family, changes in economic circumstances and the process of aging.

3.32 Personality Theories

Psychoanalytic Theory

Freud's psychoanalytic theory proposes that every individual's personality is the result of childhood conflicts. These conflicts are derived from three fundamental components of personality: Id, Ego and Superego. According to the theory, the id (or libido) is the source of an individual's strong basic drives and urges such as hunger, sex, aggression and self-preservation . The id operates on what is called the 'pleasure principle', that is, to seek immediate pleasure and avoid pain. The id is entirely unconscious and not fully capable of dealing with objective reality. Many of its impulses are not acceptable to the values of organised society. A newborn baby's behaviour, for example, is governed totally by the id. The ego is the individual's conscious

control. It comes into being because of the limitations of the id in dealing with the real world by developing an individual's capabilities of realistic thinking and ability to deal suitably with her/his environment. Ego operates on what is called the 'reality principle'. It is capable of postponing the gratification until that time when it will be suitably and effectively directed at attaining the goals of the id in a socially acceptable manner.

Defense	Description
Repression	Moving upsetting information (for example, sexual feelings regarding one's parents, aggressive feelings toward a sibling) from consciousness to the unconscious
Denial	Failing to appreciate the negative implications of an event or experience (for example, dismissing a potentially serious physical symptom as being unimportant)
Reaction Formation	Expressing outwardly the exact opposite of what one is feeling inwardly (for example, when a young boy feels affection for a young girl, but responds by making fun of her)
Displacement	Expressing a negative emotion—often anger—in a setting that is less risky than the setting one first experienced the emotion (for example, being yelled at by your boss, then coming home and taking it out on your partner)
Rationalization	Making excuses for engaging in unacceptable acts (for example, justifying cheating on your taxes by convincing yourself that everyone does it, so it's not really cheating)
Sublimation	Expressing unacceptable impulses in a way that actually brings rewards rather than punishment (for example, unleashing pent-up aggression by playing field hockey or football)

Note: This is a partial list of ego defenses; although psychologists disagree regarding the precise number of defenses we use, most lists include 10–15 defenses altogether.

Exhibit 3.18: Freud's psychoanalytic theory

Example: Rather than manifest the need for aggression in an antisocial manner, a consumer can partially satisfy this need by purchasing a powerful motorcycle. The ego is the individual's self-concept.

The superego constitutes the moral part of an individual's personality. It represents the ideal rather than the real, defines what is right and good and it influences the individual to strive for

perfection. It operates in the unconscious and often represses certain behaviour that would otherwise occur based on the id, which could disrupt the social system.

Figure 3.10: Id, SuperEgo and Ego

According to Freud, the ego manages the conflicting demands of the id and the superego. This usually results in realistic compromises between very basic strivings and socially acceptable behaviour. These compromises are believed to be occurring at an unconscious level. Freudian psychology says that quite a sizable part of human behaviour is unconsciously motivated. The way the child manages these conflicts, especially the sexual conflicts, determines the adult personality. Unresolved conflicts in childhood result in 'defense mechanisms', which are said to be unconsciously determined tension-reducing strategies used by the ego. There are several themes based on psychoanalytic theory which are sometimes used by marketers in attempting to influence consumers such as fantasy, wish fulfillment, aggression and escape from life's pressures (perfume, hair dye, skincare products, dresses, farm houses and motorcycles are some examples of product categories).

3.35 Self Concept

Is the Self viewed differently in different cultures?

Exhibit 3.25: Identity Universe

The Self Concept The attitude a person holds towards her/himself; the beliefs about your own attributes; composed of many attributes; can be distorted.

Self Esteem The positivity of one's attitude towards oneself; marketing can alter by triggering social comparison
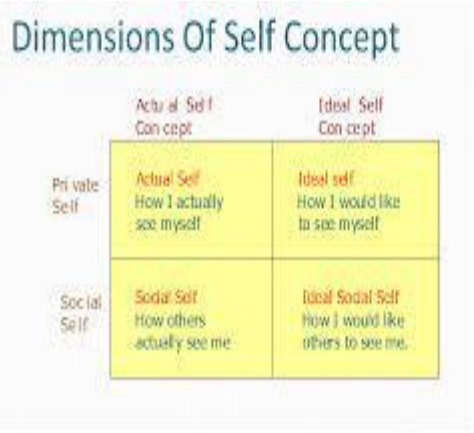
Figure 3.32: Dimensions of Self Concept

Ideal Self

Ideal Self is a person's conception of how they would like to be; partially based on elements of one's culture. Example: **I want to be different, Apple.**

Actual Self Actual Self-A person's realistic appraisal of his/her qualities. **Maybe this is me?**

SELF - ESTEEM journal

MONDAY
SOMETHING I DID WELL TODAY...
TUESDAY
I FELT GOOD ABOUT MYSELF WHEN...
WEDNESDAY
I HAD A POSITIVE EXPERIENCE WITH...
THURSDAY
3 GOOD THINGS ABOUT ME ARE...
FRIDAY
SOMETHING I DID FOR SOMEONE...
SATURDAY
TODAY I ACHIEVED...
SUNDAY
TODAY I OVERCAME...

Fantasy Appeal A self-induced shift in consciousness, often focusing on some unattainable or improbable goal; sometimes fantasy is a way of compensating for a lack of external stimulation or for dissatisfaction with the actual self. **Yeah, that's me!**

Today everybody can be famous..be in a reality show, create an ad. Our aging population and affluence fuel demand for fantasy-status conscious- youth oriented.

i am
an
insecure
mess
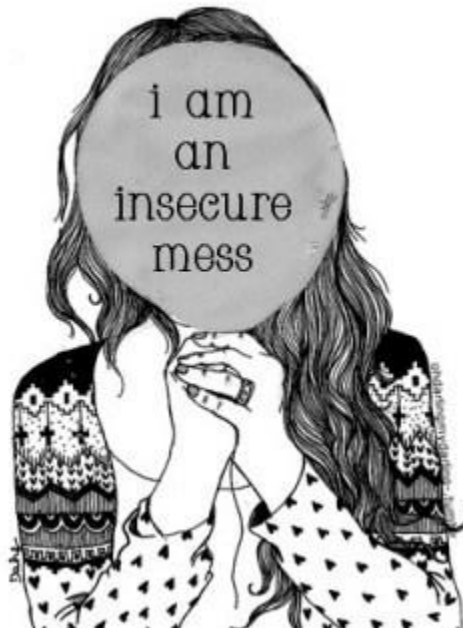
Exhibit 3.26: An Ad depicting fantasy appeal

Virtual Identity Online people assume a virtual identity. One example could be the use of an avatar in virtual worlds or video games. Sherry Turkle in *Rethinking Identity through Virtual Community* discusses how people online become the authors of a text about themselves. People can filter how they appear and filter how others see them through selected sharing of experiences. Online in social networks people can reflect an image of themselves that may be less like their actual self and more like their ideal self.

The Looking-Glass Self The term looking-glass self, first introduced by Charles Cooley (1902), refers to the dependence of one's social self or social identity on one's appearance to others.

The ideas and feelings that people have about themselves — their self-concept or self image — are developed in response to their perception and internalization of how others perceive and evaluate them (Chandler and Munday, 2011).

This is underpinned by the idea that the context of someone's socialization allows them to define themselves.

As has been long posited by sociologists, people may have a self-image that is formed by their interactions with others, or even no essential self at all.

The early 1900s brought the development of the looking-glass self. Cooley argued that the dynamic of self-creation is similar to a looking-glass (a mirror) in that: "As we see our face, figure, and dress in the glass and are interested in them because they are ours...so in imagination wee perceive in another's mind some thought of our appearance, manner, aims, deeds, character, friends, and so on, and are variously affected by it" (1902; McIntyre, 1998).

Exhibit 3.27: The Looking Glass Self

3.40 Attitude and attitude Change

Martin Fishbein has reported that there are more than 100 different definitions of attitude. More than five decades ago, Gordon W Allport presented a frequently used definition of attitudes. He said, "Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way." They are the feelings and beliefs that an individual holds. Attitudes are an expression of inner feelings reflecting his likes and dislikes and, from a retailing perspective, as applicable to retail brands and store formats. Attitudes play an important part in determining a store's standing among consumers. In deciding at which store to shop, consumers will typically select the store that is evaluated most favourably and to which they are predisposed.
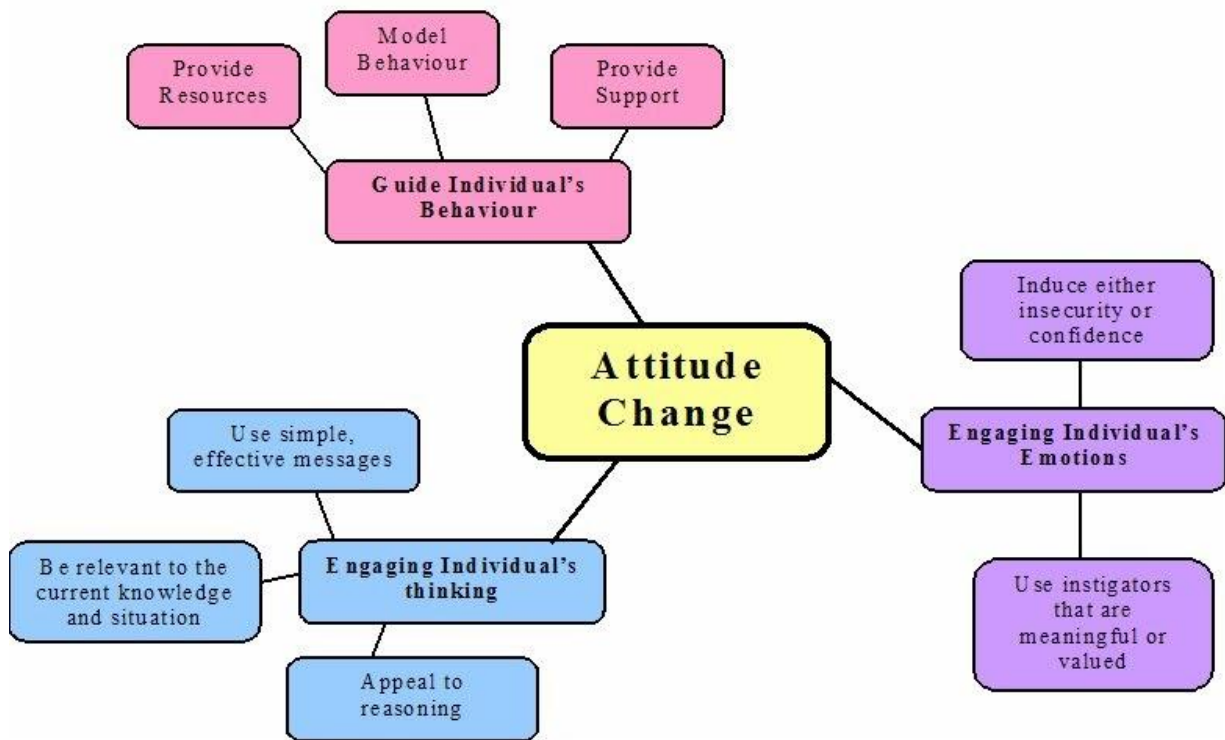
Figure 3.11: Attitude Change Grid

As opined by James H Myers and William H. Reynolds, "Attitudes directly affect purchase decisions and these in turn directly affect attitudes through experience in using the product or service. In a broad sense, purchase decisions are based solely upon attitudes existing at the time of purchase, however these attitudes might have been formed."

3.41 Characteristics of Attitude

1. Difficult to measure:

Attitudes are reflected in behavior of individuals. It can be vaguely termed as how an individual responds to a particular situation. An individual varies in his behavior and reacts differently in different situations. Attitudes may vary according to situations and mood of an individual.

Example: Consider an advertisement for Fevicol. If an individual is in a good mood he might behave differently on seeing that ad. He might laugh or smile. But if he is not in a good

mood, the ad might add to his bad mood and he might shout at others laughing at that ad. Since attitudes vary according to situations, they are difficult to measure.

2. May create inflexibility and stereotypes: As discussed above, individuals who behave in a particular manner under a specific situation can be stereotyped to that particular behavior. People might expect the same attitude every time in all situations. Since, individuals are judged by their first impression, attitude during the first meeting might be taken as permanent.
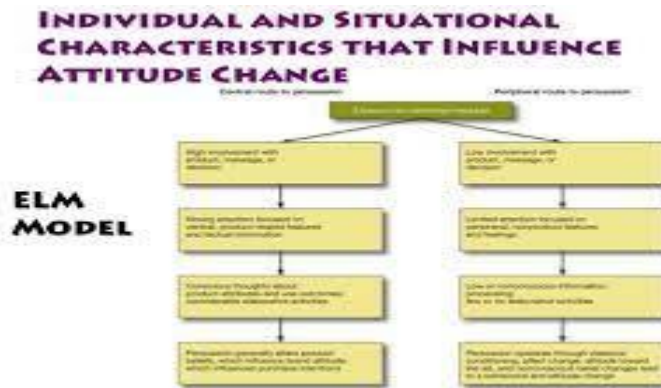
Figure 3.40: Attitude Change Grid

Example: Suppose you went to see an action movie with your friend once. He might assume that you only like action movies.

3. Formed largely from the continuous process of socialization: Attitudes are not formed in one day or so. It is formed gradually, as we interact with more people or many times with people in our society. Society consists of different kinds of individuals so we tend to form varied attitudes. As we meet the same person again and again we tend to form an attitude which might be specific to him only.

4. It is a positive attitude: This has been discussed more off lately. People have varied attitudes. Some people have an optimistic view towards a particular situation and others might have a pessimist view. It varies from person to person. Attitudes, positive or negative are developed by post purchase evaluations. If a consumer is completely satisfied with the product, he will develop a positive attitude towards that brand and vice versa.

5. Once formed it is not easy to change: When a person develops a certain attitude towards a brand or a person, it is very hard to change. If an individual is not satisfied by the product of a particular brand, he will develop a negative attitude towards that brand and he might not use that brand forever. Attitudes may be affected by age, position or education of an individual. As a person matures, his attitude towards a particular brand or person can change.

Components of Attitudes

- An attitude is a positive or negative evaluation of an object, person, or idea

Cognitive Component: Beliefs, thoughts, ideas about the attitude object
"The easy availability of fast food discourages people from eating healthy food, like fresh fruits and vegetables."

Attitude: Jill has a negative attitude toward fast-food restaurants.

Emotional Component: Feelings and emotions about the attitude object
"Fast food is disgusting. I hate their greasy fries and their fake milkshakes. Not to mention their smarmy ad campaigns!"

Behavioral Component: Predisposition to act in a particular way
"When a big hamburger chain tried to build a new restaurant in my neighborhood, I organized a petition drive to oppose it."

Figure 3.12: Components of Attitude

3.42 Functions of Attitude

Understanding the functions of attitudes helps in learning how they serve consumers. According to Daniel Katz, attitudes perform four important functions for individuals:

1. Utilitarian function

2. Value-expressive function

3. Ego-defensive function

4. Knowledge function
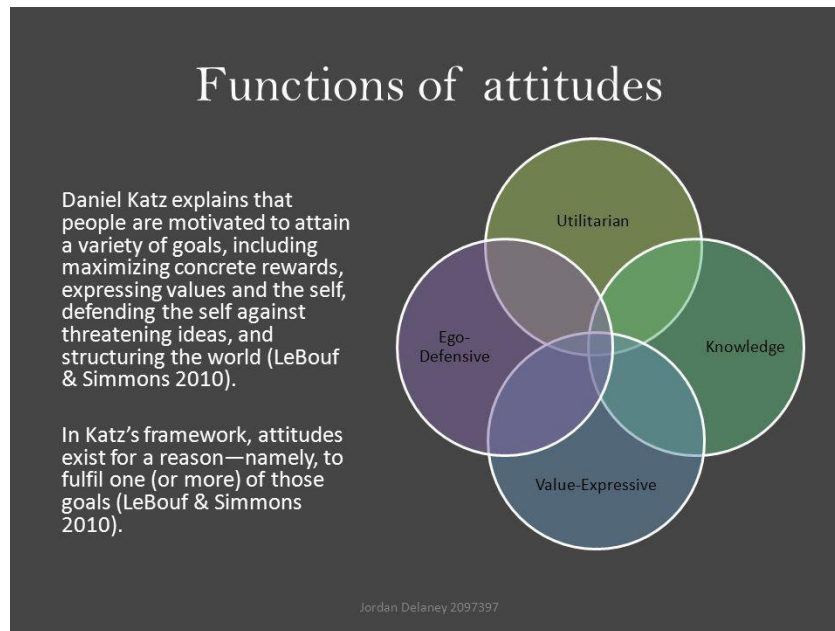
Exhibit 3.32: Functions of Attitude

This attitude function serves consumers in achieving desired benefits. We hold certain brand attitudes partly because of a brand's utility. If a product has been useful in the past, our attitude towards it is likely to be favourable.

For example, a consumer who considers quick relief as the most important criteria in selecting an anti-cold remedy will be directed to the brand that offers this benefit. On the other hand, attitudes will discourage the consumer away from brands that are unlikely to fulfill the "quick relief" criteria. The Coldarin (an anti-cold remedy) commercial reflects the utilitarian function of attitudes when it ensures quick relief.

Value-expressive Function

Attitudes reflect the consumer's self-image, values and outlook, particularly in a high-involvement product. If a consumer segment holds positive attitudes toward being "in fashion," then their attitudes are likely to be reflected in this viewpoint. For example, the

self-image of a young man buying a motorcycle may be of a macho, domineering person who likes to gain an upper hand. Aggressiveness may reflect itself in purchasing a Royal Enfield Bullet 500 cc or a Bajaj Pulsar 180 cc. Advertisers often appeal to the value-expressive nature of attitudes by implying that purchase or use of a certain product will lead to desired achievement, self- enhancement, or independence.

Attitude function	Description	Example in tourist attitudes
Utilitarian	Attitudes are used as a method to obtain rewards and to minimise punishments	A tourist expresses a positive attitude towards an attraction to gain special attention from an employee
Knowledge	Attitudes are held to provide order, reduce ambiguity and to simplify the decision-making processes	A tourist prefers to travel by train because of news stories about the higher risk of car accidents during long weekends
Value-expressive	Attitudes express the holder's core values, self-concept and beliefs to others	A tourist favours an eco-lodge that supports her environmentally-conscious values
Ego-defensive	Defence mechanism to avoid certain personal truths about themselves and to support self-esteem	A tourist's desire to bungee jump because it projects a "daring" image and draws attention from peers

Source: based on Kimmel and Kimmel (2012, p. 155)

Table 3.3: Value and Ego-Defensive Function

Ego-defensive Function

Attitudes formed to protect the ego, or self-image, from anxieties and threats help fulfill this function. Ads for many personal care products such as mouthwashes, toothpastes, deodorants, anti-pimple creams and cosmetics, etc. serve as a good example. Advertising capitalises on the fear of social embarrassment and rejection and greater social acceptance through use of certain products. This encourages consumers in developing a positive attitude towards brands associated with social acceptance, confidence, appreciation, or being attractive and desirable to the opposite sex.

Knowledge Function

Individuals generally have a strong need for knowledge and seek consistency, stability and understanding. To fulfill this need, attitudes help organize the considerable amount of information to which they are exposed every day. They ignore irrelevant information and store what is meaningful to them. The knowledge function also reduces uncertainty and confusion. Advertising is a means of acquiring information about products and services. Comparative advertising attempts to change consumers' attitudes towards the advertised brand by emphasizing its advantages over the competing brand.

3.43 Attitude Change

Strategies of Attitude Change

Multi-attribute Models and Attitude Change

On the basis of Fishbein's multi-attribute model, four strategies can be considered to change attitudes:

1. By changing the values consumers place on product attributes (ei component in the model)

2. By changing consumers' brand beliefs (bi component in the model)

3. By changing brand evaluations (Attitude Notes 0 component)

4. By changing behavioural intentions (Attitude (beh)).

1. Changing Values Placed on Product Attributes: Most consumers consider some product attributes to be more important than others. Marketers often try to convince consumers about the superiority or importance of those attributes on which their brands are relatively strong. This requires attempting to convince consumers to reassess the value associated with a certain attribute.

Example: Apple computers do not have a floppy drive and convince consumers that floppies are not reliable for storing data. Epson attempts to convince consumers that its inkjet printers

need no change of printing head every time the ink cartridge is changed. A marketer may convince consumers that bad taste is good quality in a mouthwash.

2. Changing Consumers' Beliefs: A common and effective approach adopted by most marketers to changing attitudes is to focus on the cognitive component. The strategy of changing beliefs focuses on shifting beliefs about the performance of a brand on one or more attributes. Alternatively, marketers attempt to shift the importance consumers place on certain attributes to those attributes on which their brand is stronger. This can be done by introducing new attributes in the brands and emphasizing the importance of existing ones. Epson printers emphasize the importance of Micro Piezo technology leading to superior colour reproduction in prints. Apple convinces consumers that its computers use the power processor. This makes these computers technologically different and superior. Nizoral shampoo ads, convince consumers that Ketoconazole ingredient gives better protection against dandruff.

3. Changing Brand Evaluations: This strategy focuses on influencing consumers' overall brand attitudes without any reference to specific attributes. This can be accomplished by associating a positive feeling with product usage. The Nescafe commercial "ho shuru har din aise" is one such attempt. "When you care enough to send the very best" ads of Hallmark cards is another example of associating feelings with the brand. Some brands make a claim that it is the largest selling brand, or the others are trying to imitate.

4. Changing Behaviour: Consumers' purchase or use behaviour may precede the development of cognition and affect. According to D S Kempf, behaviour can lead directly to affect, to cognitions, or to both at the same time. Consumers frequently try inexpensive new brands in the absence of any prior knowledge or effect. For example, a consumer feels thirsty and notices a new brand of cold drink with a vendor and uses it. Such purchases are often as much for knowledge as for satisfaction of some need such as thirst. Sometimes marketers induce consumers to buy a brand that is not preferred by offering some concession.

The assumption is that once consumers try the brand there may be a change in their attitudes. For example, a detergent is offered at a discount price and the consumer, after using it, realizes that there is hardly any difference in the performance of the new brand and the

regular brand. The consumer decides to continue using the new brand and stays with it even when the price returns to normal list price.

3. 49 Summary

- Motivation is the driving force within individuals and is the result of a state of tension resulting from unfulfilled needs, wants or desires.

- Most human behaviour is goal-oriented and this is the aspect in which marketers are most interested as it significantly influences the consumers' consumption decisions. The goal selection depends on an individual's personal experiences, physical capacity and the prevailing cultural norms and values. Another important factor that influences goal selection is the self-image the individual holds.

- An individual will acquire or would strive to acquire products that are perceived as closely reflecting the self-image the individual holds about self.

- Motives are aroused as a result of needs that are physiological, emotional, cognitive, or situational in nature.

- The personality is a dynamic concept that describes the growth and development of an individual's whole psychological system, which includes motives, beliefs, attitudes, habits, and overall outlook. Personality is generally believed to be consistent and enduring over time.

- Freud's psychoanalytic theory proposes that every individual's personality is the result of childhood conflicts. These conflicts are derived from id, ego, and superego. Social/cultural theories view individuals as striving to win over feelings of inferiority, which emanate from childhood experiences in relating to others; searching for ways to gain love, security, and relationships.

- Several personality types have been identified such as sensing-thinking personality, sensing-feeling personality, intuiting-thinking personality, and intuiting-feeling personality etc.

- Self-concept theory is considered as most relevant and focuses on how the self-image of individuals influences their purchase and other behaviour. Self-concept refers to the totality of an individual's thoughts and feelings with regard to herself/himself as an object

- Perception consists of those activities by which an individual acquires and assigns meaning to stimuli.

- Different individuals may be exposed to the same stimuli under the same conditions but how each individual recognises the stimuli, selects them organises them and interprets them is unique in case of each person and depends on each individual's needs, wants, values, beliefs, personal experiences, moods, and expectations.

- Learning can be viewed as a relatively permanent change in behaviour occurring as a result of experience.

- Behaviour has two aspects - observable behaviour as well as non-observable cognitive activity. Four components appear to be fundamental to almost all learning situations and include motivation, cues, response and reinforcement.

- There are two forms of conditioned learning - classical and instrumental. Classical conditioning refers to the process of using an existent relationship between a stimulus and response to bring about the learning of the same response to a different stimulus.

- Attitudes are learned predispositions and represent an enduring organisation of motivational, emotional, perceptual, and cognitive processes with respect to some aspect of our environment.

- Attitudes are expressed in the way we think, feel, and act toward everything in our lives and reflect the lifestyle of individuals. Attitudes are viewed to have three components: the cognitive component consists of an individual's knowledge or beliefs about the attitude object, the affective component represents the feelings or emotions toward the attitude object, and the behavioural or conative component reflects the overt actions and statements of behavioural intentions with respect to specific attributes of the attitude object or overall object. The three components of attitude generally tend to be consistent with each other.

- Attitude change strategies can focus on any of the attitude components: thinking, feeling, behavioural, or some combination of these components. Changing consumers' cognition or beliefs usually involves information processing and cognitive learning. Attempting to influence feelings or the affective component generally involves classical conditioning approaches, and to bring about a change in behaviour, strategies rely more on instrumental conditioning approaches.

3. 50 Self Assessment Questions

1. "Consumers just don't buy products or services. Instead they buy motive satisfaction or problem solutions". Discuss.
2. Explain the concept of utilitarian and hedonic needs. Give examples of some live campaigns that address these needs.
3. Compare and contrast the thoughts of Freudian school and Non-Freudian school.
4. Is there a relation between personality and behavior? Give suitable examples.
5. Differentiate between actual self, ideal self and extended self.
6. Discuss the concept of perceptual selection.
7. State the difference between absolute threshold and differential threshold. Discuss the implications of Weber's Law.
8. Mention two examples each of classical conditioning and instrumental conditioning used in advertising.
9. Identify the major factors that influence learning. What is their importance in advertising?
10. Analyse the relevance of classical conditioning theory in consumer learning.
11. Discuss the measures of consumer learning.
12. "Most advertising for well known brands attempt to maintain and reinforce positive attitudes". Discuss.
13. Can attitudes be easily formed or changed? Justify your answer using appropriate examples.
14. Is it better to change consumer attitude by changing consumer's beliefs or changing product attributes? Justify your answer by giving practical examples.

3. 51 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition.

UNIT-4 GROUP INFLUENCES ON CONSUMER BEHAVIOUR, REFERENCE GROUP INFLUENCE AND GROUP DYNAMICS, FAMILY BUYING INFLUENCES, FAMILY LIFE CYCLE AND BUYING ROLES, CULTURAL AND SUBCULTURAL INFLUENCES

Unit Structure

4.0 Unit Objectives: After studying this unit, students will be able to Identify selected consumer related reference groups and will realise celebrity and reference group appeals. This unit will impart knowledge about the stages of family life cycle and the husband-wife influences on purchases as well as the role of children in decision making. It will also give deep insights of culture and its types and how culture is measured.

4.1 Group Influences on Consumer Behaviour

Consumers are a tribal bunch, and the groups they choose to belong to are significant to how those consumers view themselves and live their lives. Much the way they pick like-minded friends, consumers also purchase brands they believe represent standards they relate to. This is a key component of reference group marketing. Convincingly associating your product or service with a group your target market admires is how you can use group influence to boost your brand's sales.

Consumers Trust Reference Groups

Consumers are influenced by different types of reference groups they believe they are a part of or aspire to be. Group influence goes both ways; sometimes, consumers avoid brands they believe would put them into a group they don't want to be included in. People buy things to help form and express their self-concept and their connections with like-minded people. Many things a person buys, especially showy items such as clothing, accessories, vehicles, restaurants or club memberships, are symbolic of what he thinks is acceptable to a certain reference group such as his family, social circle, workplace, community or culture.

An individual buyer might make purchases that appeal to a few different types of reference groups. For example, a consumer who wants to appear eco-friendly may purchase a Toyota Prius. That same consumer might also feel connected to Nintendo's gaming community and opt to buy Nintendo consoles over Sony or Microsoft products. Group influence comes from many directions and in most cases, different types of reference groups do not clash in the buyer's mind because the products that signify them are in completely separate categories.

Branded Upbringings Make Lifetime Buyers

Kids influence their parents' purchases, and reference group marketing can be quite effective with children and teenagers. Marketers aim their messages at children via television, apps and internet to establish early brand familiarity and inspire direct sales. While parents may refer to other parents and groups for the final decision on household purchases, teens and children are typically driving forces behind their parents' purchasing decisions.

Consumers Buy Peer Status

Wealthy consumers influence non-wealthy consumers. Certain brands keep luxury consumers believing they're part of an elite club. The trick for marketers of high-end luxury goods and services is to appeal to the wealthier consumers who want to feel distinguished from the non-wealthy while at the same time appealing to the larger audience of consumers who want to emulate the wealthy, according to research on consumer behavior. For example, a high-end watchmaker may release a limited edition luxury watch for its targeted consumers followed by a more affordable version of the product, under the same brand name, for a wider market.

Cause Affiliations and Purchasing

Movements in society can influence consumer behavior. Media reports associated with a brand can fuel consumer activism for or against it, making social media an important asset for any brand engaging in reference group marketing. For example, an injustice involving a manufacturer that is publicized in the media may trigger a consumer to join a boycott of the manufacturer's brand. Conversely, a company's association with a charitable cause or heroic deed may compel the consumer to purchase the company's brand just to show support. People

favor brands that resonate with what they believe in and what they think like-minded believers accept.

Each consumer in society is a member of different groups depending on their culture, various subcultures or even social class can influence their consumer purchase. A group can be formed when two or more individuals share a set of norms and beliefs. A group becomes a reference group when an individual recognizes the group and takes on many of the values, attitudes or personal standards of group members and uses it as the base of his/her day to day behavior. Reference group is defined as having significant relevance upon an individual's evaluations, aspirations or behavior influencing the consumer. The nature of reference group influence can take three forms, this is because some groups and individuals are able to influence greater than others and affect a range of consumption.

1. Informational influence: This is when the reference group is used as a knowledgeable source in the different parts of the buyer's decision process. This type of influence emerges when an individual or the member uses the behaviors and beliefs of the reference group as dependable sources. This influence is based either on the similarity of the buyer's desires with the ones of the group members. For example in the biker subculture the members all share similar desires for purchasing Harley Davidson products therefore influencing the individual decision process in selecting certain products. The members in the baby boomer subculture are also likely to purchase similar latest fashion products.

2. Normative influence known as (utilitarian influence): The reference group creates a level of values and norms of an individual, in the process of purchasing brands or products. For example both the Harley Davidson biker subculture and baby boomer subculture will have an influence on the member's decisions on which types of products to consume to fit in with the values and attitudes of the subculture. Harley Davidson subculture values can affect the characteristics of the member's lives such as their 'social, political and spiritual' aspects.

3. Identification influence known as (value-expressive influence): The reference group is used to confirm the consumer's attitudes, norms and actual behavior. The individual behaves reliably with the group's norms and beliefs because the individual's and the

group's norms, attitudes and beliefs are the same. For example this can be seen in Harley Davidson subculture in which the members view the subculture as a 'religious icon' sharing the same values and norms as other members.

The group's power of influence on consumer's behavior will depend on a number of factors. For example, the degree of visibility of the product or trademark used by the group members. The group's power of influence is higher for the products used visibly such as shoes, cars and fashion products compared to non-visibly products. In the Harley Davidson subculture their power to influence other members is through visible displays such as tattoos and motorcycle customization, this is done to emphasize the commitment to the group. The product's degree of necessity for example the group's power of influence is higher for the luxury products such as jewels, fashion etc and lower for necessity products. For example the baby boomers subcultures are likely to influence other members in purchasing luxury products than necessity products.

The group's power of influence will depend on the individual's degree of involvement. For example, if an individual is reliant on a group; it is more likely to conform to the group. The group's influence will depend on the degree of confidence of the buyer during the buying process. The group influence is noticeable when there are specialized products such as PC sets or mobiles. These are the products for which the buyer depends on the expert knowledge of the reference group. The influence of the reference groups is not influential for all types of products or services that consumers purchase. For example products that are not complex, that are low in perceived risk are unlikely to be influenced by the reference groups. The impact of the reference groups can vary. Reference group might determine the choosing of a certain kind of product instead of others. It can further influence the option of a brand or trademark of a product such as Iphone or Blackberry. An individual will want to belong to a group because of their significance and position they obtain. They will want to be associated with groups that have an attractive social position. Due to the unique characteristics certain groups are seen to have a greater social power influence than other groups.

Groups have power due to their ability to influence individuals to become members. The group's ability to influence the behavior of various individuals that are members or non-members of the

group is called social power and can have a number of types. These social powers can influence the consumer behavior in buying certain products and brands. Research found that reference groups are very important for marketers. This is because they can influence and inform members to purchase specific products and brands. It can provide the members with factors to compare with their own values, with the values and behavior of the group. This can therefore influence the members to adopt the groups' values and attitudes

Group influence is "non controllable" by the marketer but must be taken into consideration when designing new products. The marketer will need to seek out to understand all the group influences that affect consumers so that the marketing mix can be adjusted to give the maximum effect. Consumer behavior is greatly influenced by cultural, social, personal, and psychological factors. Culture is the most fundamental determinant of a person's wants and behavior. Culture contains smaller subcultures or groups of people with shared values systems based on common life experiences and situations. These subcultures can influence consumer behavior. Subcultures include nationalities, religions, racial groups and geographic regions. Age subculture (age cohort) is an example of how consumers culturally bond with each other. This is because these consumers are more likely to face similar experiences and share common memories by growing up and living in the same time frame. Many subcultures make up important market segments and marketers often need to design products and marketing programmers' tailored to their needs and wants. For example the automobile industry is taking on the baby boomer subculture market and dealing with boomers changing needs in the industry. Toyota's campaign of the redesign of the new Avalon was to provide a youthful image that reminds the baby boomers of the late 1960s.

Baby Boomers and Harley Davidson Subculture

The baby boomers age group subculture consists of individuals who were born in the time frame of 1946-1964. The consumers are in their mid-thirties and fifties. Members are likely to influence other baby boomers to purchase similar products. In the US market 78-80 million consumers account for the baby boomer market. Baby boomers are important to marketers since they are the largest demographic in western countries age group therefore more companies and brands are focusing on the baby boomer market. The demographic qualities of the baby boomers

include a wide range of factors such as, use of technology, looking young, their health and personal well-being. The baby boomer consumer will want the very latest fashions in the market and innovative products. Baby boomers have many subgroups which can be catered very easily in terms of each demographic factor.

Exhibit 4.1: Ads showing Baby Boomers and Harley Davidson Subculture

Companies are targeting baby boomer consumers because they generate a good source of revenue. For example L'Oreal concentrated on the 'self-indulgent' aspect of baby boomers in looking young, their slogan for the brand "Because I'm worth it" was appealing to the baby boomers in capturing their youth side.

Exhibit 4.2: Ads showing Joy in getting Pepsi

Pepsi also realized how youth is important as many baby boomers wish to see themselves as youthful again. In 1961 Pepsi slogan was "for those who think young." The slogan was perfect for baby boomers as it helped to capture the image and message of looking and thinking young, exactly what the boomers would want to believe. In 2001 Pepsi "Joy of Pepsi" campaign used a

celebrity endorsement such as Britney Spears to promote and incorporate the young joy and entertainment of Pepsi.

The commercial showed how Britney was able to grow through the time frame that started from the 1950s to the present day. This can be seen how baby boomers can reminisce with her. Baby boomers are more vulnerable to nostalgia appeals, especially the products and items associated with their childhood or adolescence memories. Therefore it can be seen that Pepsi had an advantage in creating this nostalgia appeal to the baby boomers, influencing the consumer behavior purchase.

Exhibit 4.3: Summary of   Harley Davidson Subculture

Harley Davidson is an example of a biker subculture group that unites and bonds consumers for the love of motorcycles. The subculture consists of many different subgroups that own Harleys within different social categories. The Harley Davidson subculture established a community of solidarity among individuals who own Harleys. The Harley Owners Group (HOG) is a successful group that has over 1 million members around the world. The members unite in sharing their obsession for the Harley-Davidson lifestyle. The subculture is a 'sacred' feature in which the Harley owner is surrounded everyday. This therefore can show how the subculture can influence consumer behavior. Such as influencing their buying patterns in looking the part of the traditional biker subculture by purchasing products such as the Harley jackets, sunglasses, riding pants and other Harley accessories. There was a strong sense of brand identification among the Harley owners that then transformed to extraordinary brand loyalty. For example they found that

the most members of HOG group loyalty included purchasing the Harley-Davidson tattoos, bumper stickers and the frequent wearing of Harley apparel at work or to other social activities. The Harley Davidson members include males and females from the age range of 18-88. The subculture consists of many different subgroups that own Harley's within different social categories.

On the other hand Brand communities groups are different to subcultures but can also influence the consumer behavior and their buying decision process. Studies of consumer culture have found that brands have become a way for consumers to communicate and form brand communities groups with other similar consumers. Brand community is a bond relationship of brand admires. Brands have become an essential part of culture. This is because consumers rely upon brand names as a substitute for information about the products they purchase. They consider their own brand usage, in terms of product value and a statement about themselves, their values, and their life choices. Research on brand communities has shown that these communities have positive effects on the consumers brand attitude, loyalty and attachment to a brand. Therefore influencing consumer behavior and buying patterns on what brands and products to purchase. Harley Davidson and Apple brands have created brand communities that represent the rebel consumers.

We all are part of some group or the other. Almost all consumer behaviour takes place within a group setting. Groups serve as one of the primary agents of consumer socialisation and can be influential enough to induce not only socially acceptable consumer behaviours but also socially unacceptable and even personally destructive behaviours. Example: Group influences sometimes, affect excessive consumption of alcohol, use of harmful and addictive drugs and stealing etc.

4.2 Consumer related Reference Groups

Positive membership group	Aspiration group
Disclaimant group	Dissociative group

→ Types of membership groups

	Informal	Formal
Primary	Family/ Peer groups	School groups Business groups
Secondary	Sports groups Kitty party groups	Teachers association IAS Association

Types of aspiration groups ◄

Contact	Anticipatory
No contact	Symbolic
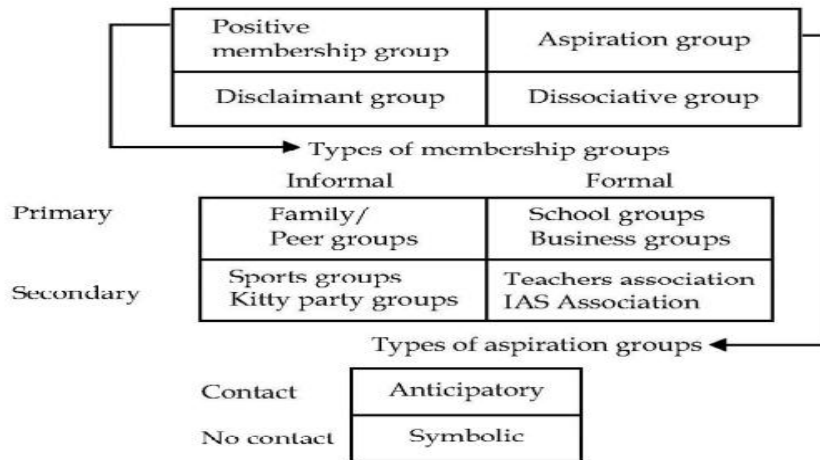
Figure 4.1: Types of Reference Group

An individual can be a member of a reference group such as the family and would be said to be part of a membership group. This same individual may aspire to belong to a cricket club and would be said to be a part of an aspiration group. A disclaimant group is one to which an individual may belong to or join and then reject the group's values. An individual may also regard the membership in a specific group as something undesirable and to be avoided. Such a group is a dissociative group.

Membership Groups

Positive reference groups are important and classified as primary or secondary and formal and informal. If a person maintains regular contact with family members, friends and business associates, all those individuals constitute a primary group. People, who meet less frequently such as those who meet during morning walk or club members. From the marketer's point of view, primary groups are more important because they influence consumer's product beliefs, tastes and preferences and have a more direct effect on buying behaviour. Research supports the view that members of primary groups are more likely to buy the same brands. Groups can also be divided on the basis whether they have a formal structure such as a president, executive and secretary etc. in a hierarchical order with specific roles. The structure of an informal group is loosely defined. Example: When three individuals become friends while pursuing a course on computer applications and on every last Saturday of each month meet for dinner, then it would be considered an informal group. The table depicts the types of formal and informal groups.

Types of Formal and Informal Group

Type of Group	Description
Primary Informal Groups	The family and peer groups are primary informal groups. They are by far the most important because of the closeness and contact frequency between the individual and other group members.
Primary Formal Groups	Primary formal groups are those that have a more formal structure and with which the consumer comes in contact less frequently than primary informal groups. Business groups that come together to work on a daily basis are examples of primary formal groups.
Secondary Informal Groups	Such groups have no formal structure and meet once in a while. Examples are women's kitty parties, or sports groups that get together infrequently.
Secondary Formal Groups	Secondary formal groups are not really important to marketers because they are structured, meet only infrequently and are not cohesive. The examples are teachers associations, or retailers association.

Table 4.1: Types of Formal and Informal Groups

Aspiration Groups

Non-membership groups, with a positive attraction, are called aspiration groups and exert a strong influence. Two types of such groups are anticipatory aspiration groups and symbolic aspiration groups. Individuals frequently purchase products that they believe are used by a desired group in order to achieve actual or symbolic membership in the group.

1. Anticipatory Aspiration Groups: These are groups that an individual anticipates to join at some future time. The individual, generally, has some direct contact with such group(s). Example: The individual may wish to join a group higher in the organisational hierarchy.

2. Symbolic Aspiration Groups: The individual admires these groups but is unlikely to join them despite acceptance of the group's beliefs and attitudes. Example: A tennis fan may buy a Nike sports jacket and shoes because many tennis stars wear these.

4.3 Celebrity and Reference Group Appeals

The term "group", may be defined as two or more people who interact with each in order to achieve mutually agreed upon goals; such goals may relate to an individual or to the many who get together for the achievement of such goals. When we speak of consumer groups, we refer to individuals or groups of individuals or the family who have a need and desire purchasing a good or service so as to fulfill the need and derive satisfaction. While speaking of groups, it becomes necessary to understand the various kinds of groups. Groups may be i) small or large; ii) formal

or informal (based on purpose of formation, legitimacy and structure of reporting relationships). So far as consumer behavior is concerned, the focus lies on small informal groups. This is because small groups are more cohesive in nature, there is more interaction and the members can influence the purchase patterns and consumption behavior of each other.

Meaning Of Consumer Groups

Groups may be classified on various bases like i) number and size; ii) regularity of contact; and iii) structure and hierarchy. The various types of consumer groups are as follows: i) Primary and Secondary Groups: The distinction between primary and secondary groups is based on the significance/relevance of the group to an individual, and the frequency of interaction between group members. Based on the regularity of contact and the importance given to subsequent interaction, groups may be classified as primary and secondary. When people interact with each other on a regular basis, and regard each others' opinions as valuable and significant, they are said to constitute a primary group; an individual who interacts with others regularly, is said to be a member of that primary group. For example, family, neighbors, work peers, co-workers and colleagues. Secondary groups, on the other hand, are those, where the level of interaction is infrequent, irregular and occasional, and not much of value is given to others' judgments and beliefs. When a person interacts with others on an occasional basis, he is said to be a constituent of a secondary group. So far as consumer behavior is concerned, the focus lies on primary groups. ii) Formal and Informal Groups: Based on the group structure and membership, roles and norms, as well as purpose of formation, groups may be classified as formal and informal groups.

When the group structure and membership (membership roll list), roles (various positions, like president, secretary etc), group norms (do's and don'ts) and the reason for existence (goals of the group) are clearly defined, the group is said to be a formal group. On the other hand, when the group structure, roles and norms as even the purpose of the group are ill defined, or not defined at all, they are said to constitute an informal group. So far as consumer behavior is concerned, informal groups are of greater relevance to a marketer because with ill defined structures, and less rules and regulations, there is greater opportunity for interaction between the members, better exchange of information and greater influence of each other on consumption patterns and behavior. iii) Membership and Symbolic Groups: Groups can also be classified on the basis of membership as membership groups and symbolic groups. When a person belongs to a group by

virtue of membership or even if he merely qualifies for a membership to that group, it is called a membership group. On the other hand, when a person does not form a part of a group and/or does not qualify to be a member of the group, but nonetheless adopts the values, norms and patterns of behavior similar to members of the group, he is said to be a member of a symbolic group. In consumer behavior, the focus lies on membership groups. To sum up, the focus in consumer behavior lies on small, informal, primary membership groups because such groups have the maximum influential impact on consumption patterns and consumption behavior. Speaking of such groups that are of maximum impact to consumer researchers, a discussion on consumer relevant groups becomes essential. The various consumer relevant groups with examples are illustrated in the table (See Table 4.1).

Family Life cycle Stages	Characteristics of Members	Consumption Interests
Bachelorhood	Young Singles	Games, toys, sports, fashion, clothing, recreation and entertainment
Honeymooners	Young married with no Children	Life Insurance, home furnishings, home appliances, vacations, consumer durables
Parenthood – Full nest 1	Young Married with children	Baby food, clothing and furniture, real estate, medical services, automobiles, bank loans
Parenthood – Full nest 2	Middle-aged with dependent children	Children Education, increased spending on food, clothing, recreation and entertainment, Child Insurance
Post Parenthood – Full nest 3	Old Parents with dependent children	Servants and helpers, higher education, Luxury products, International vacations, social contributions
Empty Nest	Old Parents with independent children	Healthcare services, home security services, basic necessities, value for money products
Solitary Survivor	Old and retired singles	Legal Services, Old age homes, easy to use appliances, Increased expenses on health and security

Table 4.2: Family Life cycle Stages

The socialization process begins as we begin to realize the world around us. Of course the first influence comes from our family that comprises our parents and siblings. It could also include the extended family if staying together in the form of grand-parents, uncles, aunts and cousins. Interaction with family leads to what is referred to as child socialization. The child begins to learn the language, the dressing pattern, the eating pattern, the lifestyle, religion, customs, values and our culture. As he grows up, he is influenced by his friends, peers and colleagues, and there occurs what is known as adult socialization. They may belong to his culture or other cultures with varying lifestyles, values and customs. He is also influenced by his spouse and later on even by his children. His reference groups, both primary and secondary, also have an impact on his behavior. The media also has a role to play, where the marketer indirectly plays a role.

In common marketing usage 5 major reference group are:

▸ Celebrity Appeal

Types	Definition
Testimonial	Based on personal usage, a celebrity attests to the quality of the product or service
Endorsement	Celebrity lends his/her name and appeal on behalf of product or service with which he/she may or may not be an expert.
Spokesperson	Celebrity represents the brand or company over an extended period of time.

Table 4.3: Relevant Groups in the Study of Consumer Behavior

Groups Definition/Impact

1 Family - The family has the maximum impact on consumption patterns and consumption behavior because of the socialization process that an individual as a family member undergoes through. - The family is the most influential group. Why? Because of frequency of contact and maximum interaction, and influence on values and lifestyles, attitudes and opinions. - Family of orientation: Parents, Grand-parents and Siblings - Family of procreation: Spouse and Children

2 Friendship groups and informal social groups - As far as influence on purchase decisions is concerned, second in importance lie friendship groups. - Consumers tend to interact with their friends and others in their social groups and get influenced by them with respect to purchases and consumption patterns. - They are regarded as informal as they are loose, unstructured with no

power and authority relationships. - The interaction that occurs is casual in nature; Opinions and beliefs regarding product and service offerings as also brands are discussed. Such discussions impact a person's decision with respect to the product and/or brands that he finally buys. - The assumption is that such friends belong to similar social classes and have similar values and lifestyles. - Thus, marketers tend to use a social appeal in their advertisements so as to illustrate how friends can influence each other.

3 Official work groups: Superiors, Peers, Subordinates (Formal) - Social groups could also be official in nature. This would include peers and colleagues who work together as a team and interact with one another.. - As considerable time is spent at the workplace, and there also occurs informal interaction between peers, official work groups also influence consumption patterns and behavior. - Superiors may act as reference groups and subordinates may admire them and desire their purchase patterns and behavior.

4 Formal social groups - Social groups can also be formal, such as membership to clubs, societies. Members of formal social groups also influence each other with respect to consumption behavior. Consumer Action groups - With the consumerist movement gaining strength all over the world, consumer action groups have emerged that also have an impact on how the consumer behaves. - Consumer-action groups could be of two types; one, that emerge in order to fight and rectify a specific issue, and disband after the issue has been solved; two, that deal with general issues and remain in existence over longer periods even after a problem has been solved.
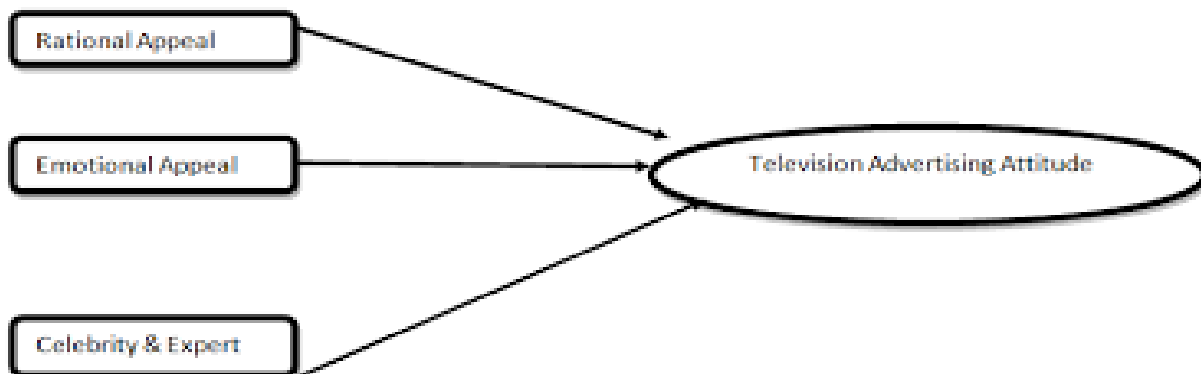
F

igure 4.2: Types of Appeals

The socialization process influences an individual's entire personal make-up; it impacts the manner in which a person acts out specific instances of behavior as well as the general instances of behavior. This includes consumption behavior as well. Consumer behavior gets influenced by various groups like family, friends, social class, reference groups, one's own culture, other cultures and subcultures. Right from childhood, parents educate the children about products and service offerings, and/or brands, and inculcate favorable and unfavorable attitudes towards such offerings. Children also make observations about the manner in which the parents go through the purchase process. Later as they grow up, the children begin to interact with friends from their culture or other cultures and subcultures. Their consumption pattern gets influenced in terms of peer pressure towards product and service offerings as also brands. As and when they grow up to be adults, and get married, their attitudes towards product and service offerings as also the purchase process gets influenced by the spouse and later on by the children. As mentioned above the mass media (TV, radio, newspapers, magazines, etc) also has a role to play, where the marketer indirectly plays a role. When a person acts out instances of behavior which relate to consumption patterns and behavior, it is known as consumer socialization. Consumer socialization occurs throughout life, as i) people acquire knowledge about product and service offerings as also brands; and ii) develop the skills and expertise to make the right kind of purchase decisions.

Groups And Implications For Marketers

Meaning Of Consumer Reference Groups

Marketers should realize that the focus in consumer behavior lies on small, informal, primary membership groups because such groups have the maximum influential impact on consumption patterns and consumption behavior. Marketers also need to understand the relevance of consumer socialization. Similar to child and adult socialization, consumer socialization occurs throughout life, as people learn about values, norms, behavior etc. from parents and family, as also friends and colleagues. Relevant to marketing is that i) people acquire knowledge about product and service offerings as also brands; and ii) develop the skills and expertise to make the right kind of purchase decisions. It is a natural tendency on the part of an individual to look up to another as with comparison; each one of us looks towards another individual or a group as a point of comparison. This group to which a person looks up as a point of comparison is known as

a reference group. A reference group may be a person or a group to which an individual looks up as a frame of reference for his general and specific acts of behavior, values, opinions, attitudes etc. The reference person or the reference group exercises tremendous influence on an individual. This is true for consumer behavior as well. A consumer always has with him in his conscious and subconscious state, a person or a group that he looks up to as a reference point. Consumers actually look up to reference groups because: a) He desires information before he actually decides to go in for the purchase of a product and service offering.

Exhibit 4.4: Types Of Reference Groups

As reference groups are regarded as impartial and have no hidden agenda like salespersons, consumers trust the former more than the latter. b) He wants social approval for the product/services purchased or the brands bought, and he feels that once he has this approval from the reference group, he would not face any kind of social embarrassment . c) He feels that he would be much at ease if he does something that others approve of. The reference group exercises impact on the manner in which a consumer selects, purchases and uses a product or service offerings and/or brands. He influences the purchase decision making process as also the purchase decisions, consumption patterns and resultant behavior. It is noteworthy that consumers have different reference groups; he may look towards one for guidance and advice of one product, and he may look towards another for purchase of another product. Gradually, the consumer begins to adopt the standards and norms used by the reference group(s) and behaves like them. Thus, marketers make effective use of reference groups in bringing about changes in a consumer's thinking and purchasing pattern. Broadly speaking, based on the kind of contact (regularity, frequency, direct/indirect), reference groups could be of two kinds, viz., primary

reference groups and secondary reference groups. Such a group(s) with which a person has a direct (face-to-face) contact and where a direct influence occurs, is known as a primary reference group(s). For example, family, friends, neighbours, superiors, peers, colleagues etc. At the time of its origin, reference groups were narrowly defined so as to include only such groups. Gradually the concept broadened to include both direct and indirect influences. So such a group(s) with which a person has an indirect contact and where an indirect influence occurs, is known as a secondary reference group. For example, movie stars and celebrities, sportsmen, successful business men, political leaders, religious leaders etc. Based on the kind of influence that they have, reference groups can also be classified as normative reference groups and comparative reference groups. Those groups that influence general or broadly defined values, attitudes and/or behavior are known as normative reference groups. For example, for a child the family acts as a normative reference group; the parents (as family of orientation) have a big role to play in making us understand our value system as well as our acts of good and bad behavior. The parents teach the child his mannerisms, as well as what he should eat, how he should dress, and how he should behave. On the other hand, those groups that influence and serve as standards for specific or narrowly defined values, attitudes and/or behavior are known as comparative reference groups. For example, for the same child, his friend's family or a neighbor may constitute a comparative reference group. The child desires to emulate their lifestyles, customs, traditions etc, which he finds exciting, admirable and praiseworthy (and something which may be very different from his own). In terms of consumer behavior, the normative reference group may exert influence on the kinds of products that should be bought e.g. hygienic food, clean clothes, fresh fruits and vegetables etc. The comparative reference group may exert influence in terms of the things like junk food versus traditional food, fashion and fad as also the latest styles etc. Both normative and comparative reference groups have relevance for a marketer. While the former set the basic norms of behavior in terms of products to purchase, the latter is more specific in terms of brands to buy; in fact the latter depends on the former; i.e. the specific acts of behavior are governed by the general. Based on i) membership and level of involvement; as well as ii) the kind of influence (positive or negative) they have on values, attitudes, and behavior, reference groups may be classified into four categories (See Table 4), viz., contractual groups, aspirational groups, disclaimant groups, and avoidance groups.
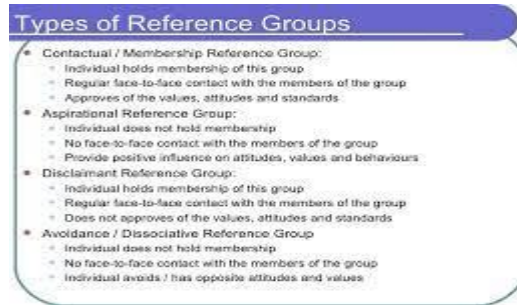
Exhibit 4.5: Types of Reference Groups

a) Contractual Group: A contractual group is defined as a group where people hold membership, meet face-to-face and have interaction, and where people abide by the values, norms, opinions and judgments that the group entails. This kind of a primary group has the maximum influence on a person, and his behavior. This has implications for a marketer in the sense that such groups impact purchase patterns and consumption behavior.

b) Aspirational Group: An aspirational group is one in which a person does not have a membership, and does not interact face-to-face, but he aspires to become a member. The group values and norms have a positive impact on the person, who desires membership to such a group. In terms of consumer behavior, these are secondary groups and impact a consumer's ideal self or desired self-concept.

c) Disclaimant Group: Here, a person holds membership with the group, but does not believe in the values, norms, attitudes and behavior of the group and its members. So the person acts as a deviant and behaves in a manner that is in opposition to how others in the group behave. In terms of consumer behavior, such people are referred to as inner- directed (and also detached), who want to set their own norms and patterns of behavior. These people could also act as innovators. d) Avoidance Group: As the term denotes, this group is one where a person does not have membership, and he also disapproves of the values, norms, attitudes and behavior. He adopts such values and behavior that are in opposition to those that the group believes in.

The impact of reference groups on the behavior of a person is subjective in nature; it varies across

a) people;

124

b) product and service offerings; as also

c) situational factors. Nevertheless there are certain factors that affect the impact that a reference group generates on people.

The factors that impact reference group influence on consumption behavior are explained as follows:

i) Information and Experience: The amount of knowledge and experience an individual possesses or has the capacity to possess determines the impact that the reference group can generate. A person who has information about a product and service offering, the brand, and the 4 Ps, and also possess some experience, would not look for advice from his reference groups, and it is unlikely that he would be carried away by advice from others. On the other hand, a person who has little or no knowledge and also lacks experience, would look towards primary and secondary reference groups for help and advice.

ii) Power, credibility, and trustworthiness: The impact that a reference group can generate also depends upon how powerful, credible and trustworthy the reference group is. When a reference group is powerful, and regarded as credible and trustworthy, there is greater probability of it being able to influence people. A person who looks towards reference groups for information and advice about product and service offerings as also brands, always examines the credibility and trustworthiness of the group. He may also be fearful of the power of the reference group and would go by group-say out of fear or to avoid any undesirable consequences. He may also be looking for social approval and acceptance of others in his reference group. The probability of him being persuaded by such reference groups is high.

iii) Conformance with group and social approval: When a consumer is other- directed or socially directed, and looks towards others for social approval, he generally conforms to the advice given by members of his reference groups. This is because he wants to be identified with people whom he likes or whom he wants to be associated with. Thus he would conform to the product and service and/or brand suggested by members of their reference group.

iv) Visibility and Conspicuousness of the Product: The impact of reference groups also depends on the visibility and conspicuousness of a product. When a product offering is visible and

conspicuous, such that it relates to esteem and is status revealing (fashion apparel, carpets and upholstery, jewelry and other luxurious items), the consumer tends to be conscious while purchasing it especially because of reaction of others (fear of social disapproval, social embarrassment). Thus he would buy such keeping in mind the advice, likes and dislikes of the reference group. When the product is low on public visibility and conspicuousness, one is less likely to be influenced by the reference group.

While designing the messages, marketers may use various kinds of appeals so that the consumer can identify himself with the spokesperson (from the reference group) in the advertisement. The commonly used reference group appeals are:

i) celebrity appeals; ii) expert appeals; iii) common man appeals; iv) executive appeals, trade or spokes-character appeals.

Exhibit 4.6: An Ad showing Celebrity appeals

i) Celebrity appeals:

Celebrity appeals are the most commonly used kind of appeal. The public admires film stars, TV personalities and sportspersons. They represent a lifestyle that people aspire to be in. People idolize them and aspire to become like them. Thus, marketer's use of celebrities particularly for FMCG products. Celebrities in advertisements could be used in a variety of forms; they could be

used as a spokesperson (educating the consumers about the company, and the brand); or as a celebrity giving a testimonial and endorsement (statement in support of claim or a fact about the brand); or as an actor/model. Whatever form it may be in, commercials with celebrity appeals have a major impact on the consumers' minds. Nevertheless the marketer must be careful about the credibility of the celebrity, in terms of expertise (regarding the product or service and/or the brand) as well as trustworthiness (honesty about what he/she says). Research has indicated that the credibility of the celebrity also depends upon the number of brands he/she advertises for; where a celebrity advertises for only one or few brands, he/she is looked up with credibility as against another who advertises for many, where he/she is looked up with less credibility primarily because of the monetary benefit associated with the advertisement. Marketers make regular use of celebrities for their advertisements; they presume that the image that is associated with the celebrity passes on to the product or service offering that they are advertising for. This phenomenon is known as prototypical bonding where a spokesperson's traits, personality, image etc. gets associated with a particular service or product. For example, Aishwarya Rai advertising for Lux or Sachin Tendulkar for Boost.

ii) Expert appeals:

Another reference group appeal that is used by marketers is the expert appeal. People who are experts in a particular field are used in the advertisement. Because of the knowledge, expertise and experience that they possess in a particular field, they are in a position to give advice that would help potential consumers to evaluate the various product alternatives, and finally make a choice. For example, a health nutritionist or a dietician advertising for Complan. iii) Common man appeals: As a common man appeals, the advertisement relates to individuals, who find parity in such advertisements with real life situations; thus they are able to identify better with the situation portrayed in the advertisement. As they relate to realities of life and real-life problems, they are also known as slice-of-the life commercials. A common man appeal may also include testimonials from a satisfied customer, so as to portray to potential consumers that another commoner like them uses the product and/or brand and is satisfied with it. Advertisements depict how day to day problems are solved through purchase of products and service offerings and/or brands.

Types of Celebrity Appeals

TYPE	DEFINITION	EXAMPLE
Testimonial	Based on personal usage, a celebrity attests to the quality of the product or service	Wasim Akram for Accu Check
Endorsement	Celebrity lends his name and appears on behalf of a product or service with which he/she may not be an expert	Pierce Brosnan for Pan Bahar
Actor	Celebrity presents a product or service as part of a character endorsement	Parineeti Chopra - Kurkure Family
Spokesperson	Celebrity represents the brand or company over an extended period of time	Sachin Tendulkar for MRF

Table 4.4: Types of Celebrity appeals

Examples where such appeals are used are agony and pain (Amrutanjan Balm), Bad breath (Close-Up), Insurance (LIC) etc. iv) Executive appeals, trade or spokes-character appeals: Companies may also use their spokespersons or their top executives in their advertisements. Such people are often used at product launches and also relates to a publicity exercise. The spokespersons address the consumers and provide information about the product or service offering. Due to the popularity that they hold, people and their consumption behaviors are impacted by them. For example, Ratan Tata for Nano, Nita Ambani for Reliance Fresh stores etc. v) Other appeals: Other appeals that impact consumption behavior include print media and editorial content, promotional strategies from dealers and retailers and seals of approval from recognized and reputed agencies and organizations. Reference group appeals are useful for a marketer in two ways; firstly they provide information and increase consumer awareness and knowledge; two, they reduce perceived risk amongst consumers, with respect to market offerings. i) Increase consumer awareness: Reference group appeals help in providing information about product and service offerings, as also brands. This helps increase consumer awareness and knowledge about the various offerings and alternative brands. The most effective appeal is a celebrity appeal that attracts customer attention, and aids retention and retrieval during time of purchase.

Usefulness Of Reference Group Appeals

Celebrities are particularly useful as they are familiar and popular with customers and thus draw the latter's attention. Other appeals (experts, spokesperson's etc.) are useful too and because of the conviction with which they endorse the various brands, they create a huge impact in favor of the product and service and/or brand being advertised. ii) Reduce Perceived Risk: Reference

group appeals help in reducing the fear and apprehensions consumers have when buying a product and service and/or brand. This is particularly true for new product offerings. The manner in which reference groups endorse a product or provide testimonials, help in reducing the uncertainty and consumer's perceived risk in purchasing product offerings. Mention may particularly be made of expert appeals or trade or spokes-character appeals, where the manner in which an endorsement is made, helps provide confidence to the consumer that his intention to buy is a correct one. The influence of Reference Groups varies according to the nature of the product and/or service. Bearden and Etzel have examined the issue from two perspectives, viz., a) the decision to purchase the type of product; and b) the choice of the brand. They conclude that reference group influence varies by 1) the type of product; whether it is a luxury or a necessity; and 2) its visibility; whether it is used in public or private settings or environment. Reference groups have varied influence on consumers depending upon the type of the product, whether a luxury or a necessity, and whether it is used in public and viewed by others or whether it is used in private.

According to Bearden and Etzel, reference group influence is strong both for the purchase decision as well as for the brand in case of public luxuries, like expensive carpets, paintings, antiques etc. The consumer does not possess a need for such products, but requires them for social approval and acceptance, and finds these purchases as crucial for avoidance of social embarrassment, and ridicule. Because of the lifestyle and the social class that a consumer belongs to, he is conscious towards the purchase of such products as well as the brands that he buys. Thus, reference groups influence both the consumer's need for the product in general as well as the choice of brand. On the other hand, when in the case of products which are public necessities, like a car or a cell phone, reference group influence is weak with respect to the purchase decision, but strong with respect to the choice of the brand. The reference group does not affect the decision to make a purchase as the product is already regarded as one of necessity and will be purchased regardless of what the members of the reference group have to say; the only impact that a reference group can make is with respect to the brand. Further Bearden and Etzel also conclude that reference group influence is weak both for the purchase decision as well as for the brand in case of private necessities, like towels, soaps and detergents etc. The consumer is aware of such necessities, and will purchase them irrespective of what the reference group has to say. Further, he would not be conscious of social approval and/or embarrassment as

these products are not viewed publicly, and so the influence of reference groups with respect to the brand will also be low. Finally, in the case of products which are private luxuries, like sauna baths, body massagers etc., reference groups influence is strong with respect to the purchase decision, but weak with respect to the choice of the brand. This is because the product is not used publicly and the brand purchased would not cause any social embarrassment.

BRAND PRODUCT Weak reference group influence (-) on product Strong reference group influence (+) on product Strong reference group influence (+) on brand

PUBLIC NECESSITIES Influence: Weak for product and strong for brand Eg. Cars, Cell phones PUBLIC LUXURIES Influence: Strong for product and strong for brand Eg. Carpets, Paintings, Antiques Weak reference group influence (-) on brand

PRIVATE NECESSITIES Influence: Weak for product and weak for brand Eg. Towels, Soaps and Detergents

PRIVATE LUXURIES Influence: Strong for product and weak for brand Eg. Body massagers, Sauna bath

By acting as a standard and as a frame of reference, they also influence potential consumers towards adoption and usage of such product and service offerings. Marketers often use them in advertisements to communicate with the masses, for example, celebrities, sports persons and leaders are often used in advertisements to influence the masses. They are admired by the consumers who desire to identify with them and even aspire to become or behave like members of such secondary reference groups. Further they not only provide information and increase consumer awareness but they also reduce perceived risk amongst consumers with respect to a product and service and/or brand. Research indicates that groups exert informational influence, comparative influence and normative influence.

Informational Influence

Reference groups and other influence sources can exert informational influence by offering information to help make decisions. Example: Chat-groups on the Internet often provide information on subjects such as Internet travel sites. Informational influence is important because it can affect how much time and effort consumers devote to information search and decision-

making. Consumers who can get reliable information from others may easily be reluctant to engage in time intensive information search when making purchase decisions.

Normative Influence

Robert J. Fisher and D. Ackerman note that normative influence, also called utilitarian influence, refers to social pressure designed to encourage conformity to the expectations of others to gain a direct reward or to avoid any sanctions. Consider, for example, the type of clothes or music. Chances are you and your friends have made similar choices. Normative influence can also affect conformity which is the tendency for an individual to behave as the group behaves.

Comparative Influence

Consumers tend to constantly compare their attitudes with reference to those of members of important groups. They serve as a benchmark and the individual's urge is to seek support for her/his attitudes and behaviour. To accomplish this, individuals are inclined to associate with groups with which they agree and stay away from groups with which they disagree. As a result of this, the process of comparing oneself to other members of the group and evaluating whether the group would be supportive becomes the basis for comparative influence. There are many people who want to live a celebrity's life. They want to use products and services that celebrities use to experience their lifestyle. That is why companies sign celebrities to endorse their products. Individuals who are influenced by comparative influences should have similar characteristics to those whose influence is being accepted. Consumers are likely to seek information from those friends that they believe are similar to them and regarded as credible. The implication for advertisers is that they should use spokespersons perceived by consumers as being similar to them (Lalitaji in the ads of Surf is viewed as a typical middle class housewife).

4.4 Family Buying Influences

Introduction

 The family is, by far, the most important reference group. It is also the most basic consumption unit for most consumer goods. The consumption patterns of individual family members are seldom independent from those of other family or household members. Example: To buy a

scooter or motorcycle for a college-going boy or girl will mean spending discretionary funds that could have been used for buying a microwave oven or an air conditioner.

4.5 Family Decision-making and Consumption related Roles

Exhibit 4.7: Family Decision Making

The concept of household or family life cycle is important for marketers in segmenting the market. In 1966, Wells and Gubar proposed eight stages to describe the family life cycle. The following life cycle (as shown in Table) stages are typical of families.

Stages	Description
Bachelor stage	Young, single persons under the age of 35 years. Incomes are generally low since they have started careers, but they may have few financial burdens and sufficient discretionary income.
Newly married	Young couples, no children. If both spouses are employed, they will have high levels of discretionary income.
Full nest I	Young married couples with youngest child under 6 years of age. There would be greater squeeze on income because of increased expenses on childcare. If they are members of a joint family, the level of discretionary income is likely to be high.
Full nest II	Young married couples with children from 6 years to 12 years of age. Better financial position because income of both parents is rising. Children spend more hours outside their parents' influence.
Full nest III	Older married couples with dependent teenage children living at home. Financial position of the family continues to improve. There are increasing costs of college education for children.
Empty nest I	Older married couples with no children living with them, parents still employed. Reduced expenses result in greater savings and highest discretionary income.
Empty nest II	Older married couples with no children living with them and parents retired. Drop in income and couple relies on savings and fixed income from retirement benefits.
Solitary survivor I	Older single persons with low income and increasing medical needs (widow or widower).

Table 4.5: Family Life Cycle Stages

Due to changes occurring in demography after 1980, researchers have suggested more modernized family life cycle categories. In the Indian context, these changes are visible among urban educated families. Some types of households, such as unmarried couples living together are generally regarded with social disapproval, or married couples who decide not to have children are just a negligible percentage.

4.6 Nature of Family Purchases and Decision-making

Much depends on income limitations coupled with family responsibilities. These two factors influence many of the buying decisions of families. As already pointed out, young bachelors as well as newly married young couples (assuming that both are employed) are quite likely to have significant discretionary income. When two or more family members are directly or indirectly

involved in the decision-making process, it is called family decision-making. Such family decisions differ from individual decisions in many ways.

Example: If we consider the purchase of a bicycle for a child, some of the relevant aspects to think about can be: who recognizes the need for a bicycle? How a brand is selected?
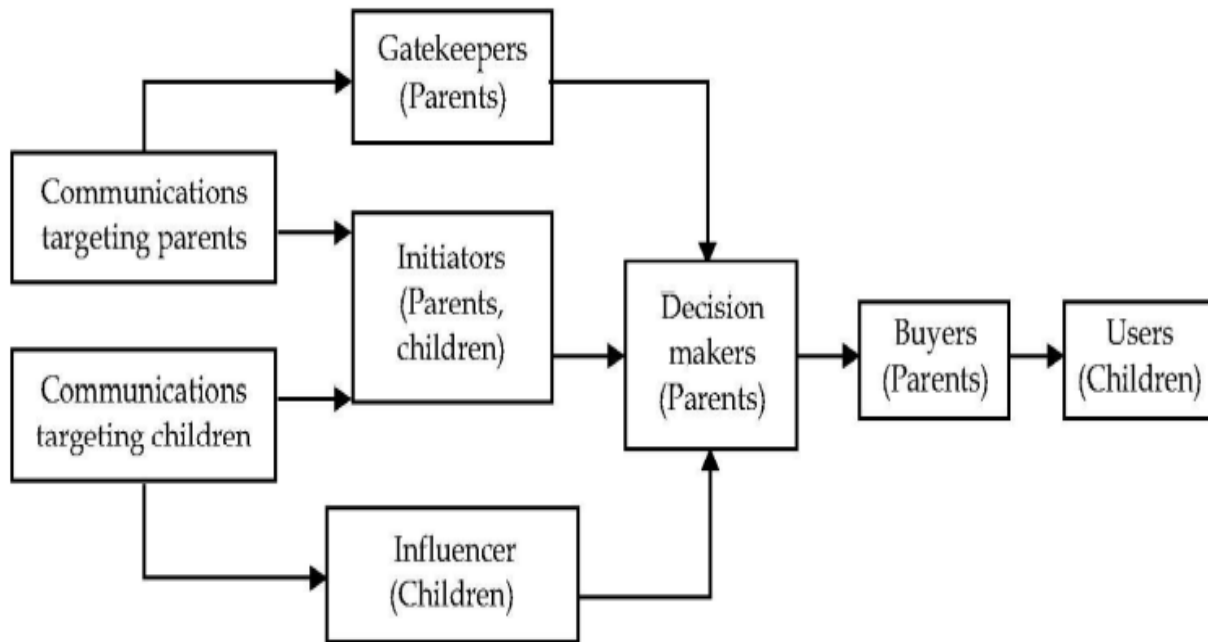
Figure 4.3: Family decision making for children's product

Some family purchases are inherently emotional and affect the relationships between family members. The decision to buy a new dress, or a bicycle for the child is more than simply a routine purchase. It often might be an expression of love and commitment to the child. The decision to buy a new stereo system or television set has emotional meaning to others in the family. The root cause of many marital discords is often related to spending the money. Figure depicts the decision-making for children's products. Joint decisions are more likely to operate in the early stages of the family life cycle when both spouses are relatively less experienced. After gaining experience, they usually delegate responsibilities concerning buying decisions to each other. When children enter the family scene, both husband and wife assume specific roles. The husband tends to be more influential in the early stages of the life cycle, however, the wife is likely to become increasingly influential after a period of time, more so if she is employed and having some financial leverage over family buying decisions.

Husband-wife Influences

Gender role preferences reflect culturally determined attitudes towards the role of husband/ wife and father/mother in the household. The relative influence of husband/wife or father/ mother is likely to vary according to

(1) the nature of product

(2) nature of purchase influence and

(3) family characteristics.

Nature of Product

Harry L Davis and Benny P Rigaux undertook a detailed study of husband/wife influences by product category and classified products into four categories:

1. Products for which the influence of the husband tends to dominate the decision making. Such products include hardware, sports equipment, men's shaving products etc.

2. Products for which the influence of the wife tends to dominate the decision making. Examples of such products are women's clothing, kitchenware, child clothing etc.

3. Products for which decisions are made by either the husband or the wife (autonomous decisions). These products may include women's jewellery, cameras, men's clothing etc.

4. Products for which husband and wife make joint decisions.

Examples of such products are refrigerators, financial planning, family cars etc.

Example: This Tata Sky Ad, featuring Aamir Khan as both Husband and Wife, depicts a joint decision situation.

Nature of Purchasing Influence

The differentiation of roles is believed to result from small group interaction. Leaders that emerge take up either instrumental roles or expressive roles. Leaders taking up instrumental roles are concerned with tasks that help the group make decisions about its basic purpose or goal (also

called functional or task leaders). Example: Decisions on budgets, timing and product specifications would be task-oriented.

Family Characteristics

The third reason for variation in relative influence of husband/wife relates to family characteristics. Though husband and wife tend to dominate decisions for certain product categories, the degree of their dominance may vary within different families. In case of patriarchal families (father is considered the dominant member), husband dominates decisions irrespective of the product category under purchase consideration. In matriarchal families (mother is the dominant member), the wife plays the dominant role and tends to make most of the decisions.

4.7 Parent-child Influences

No two individuals have the same buying preferences. The buying tendencies of individuals vary as per their age, need, income, lifestyle, geographical location, willingness to spend, family status and so on. An individual's immediate family members play an essential role in influencing his/her buying behavior.

An individual tends to discuss with his immediate family members before purchasing a particular product or service. Family members might support an individual's decision to buy a particular product, stop him from purchasing it or suggest a few other options.

Family comprises of:

- Parents
- Siblings
- Spouse
- Grandparents
- Relatives (Cousins/Aunts, Uncles etc)

What an individual imbibes from his parents becomes his/her culture. In countries like India, where children are supposed to stay with their parents till the time they get married, the influence of parents on an individual's buying decisions can not be ignored. What he sees from his

childhood becomes his habit or in other words lifestyle. A female from an orthodox background would prefer salwar suits, saris instead of westerns or short outfits. In India, parents expect their children to dress up in nice, colourful outfits during marriages, festivals or other auspicious occasions. Even if children want to buy something else, their parents would always prompt them to buy traditional attire, thus influencing their buying decision.

The moment an individual enters into wedlock, his/her partner influences his buying decisions to a great extent. In most families, the wife accompanies her husband for shopping be it grocery, home appliances, furnishings, car etc.An individual would always discuss with his/her partner before any major purchase. After marriage, individuals generally do not like spending on themselves; rather they do it for their partner or family.

A young bachelor would not mind spending on alcohol, attending night parties, casinos but the moment he has a wife at home, he would instead spend on household and necessary items. No bachelor likes to invest money on mutual funds, insurance policies, mediclaims etc but for someone who is married buying an investment plan becomes his first priority. Women generally are inclined towards buying toiletries, perfumes, dresses, household items, furnishings, food products while men would rather love to spend on gadgets, cars, bikes, alcohol etc.Both have different tastes but when they come together, they mutually decide on what to buy and what not to buy.

A Bachelor would never purchase Women's Horlicks or Kellogg's K special or a female perfume but when he has a wife at home; he would love to purchase them for his wife. A young girl who has never purchased shaving creams or men's perfume all through her life for herself would not mind purchasing for her husband, father or father in law. A working woman would have different needs as compared to a housewife. A woman who goes to office would prompt her husband to buy a formal trouser and shirt, office bag, makeup products etc for her while a house wife would not like spending on all these as she does not require an office bag and so on.

Children also influence the buying decisions of individuals. An individual spends happily on toys, candies, ice creams, chocolates. sweets when he has children at home. Children in the family prompt their parents to subscribe to Disney Channel, Cartoon network and so on.

Individuals do not mind spending on medicines, health supplements, vitamin tablets, protein drinks if they have ailing parents at home.

It is generally believed that children rely more on parents for norms and values as long as they are younger and, subsequently, on their peer group as they grow older. Influence of Children in the Purchasing Process To a large extent, the influence of children on the buying process varies depending much on their age and the product category under purchase consideration. Example: Children are more likely to buy soft drinks, clothing, music tapes etc. and may exert influence on their parents' purchases of these items. The influence of children who are 5 or 7 year old is likely to be less on the purchasing process as compared to those who are 11 or 12. Mothers are more likely to yield to requests of older children, but since older children tend to make independent decisions, they make fewer requests. Older children tend to look to their peer group and not parents as sources of information.

Example: This McDonalds Ad is targeted at children.

4.8 Cultural and Sub- Cultural Influences

Introduction

Culture influences consumers through the norms and values established by the society in which they live. It is the broadest environmental factor that influences you as a consumer. Cultural values are enduring and any attempts to change them generally fail. The study of culture is concerned with a comprehensive examination of factors such as language, religion, knowledge, laws, art, music, work patterns, social customs, festivals and food etc. of a society. In fact, culture includes everything that reflects its personality. Culture does not determine the nature or frequency of biological drives such as hunger or sex; it does influence if, when and how these drives will be gratified. The impact of culture is automatic and almost invisible and its influence on behaviour is usually taken for granted.

4.8.1 Nature of Culture

 Culture has following features:

1. Culture is invented: It cannot be viewed as something that just "exists" and waiting to be discovered. People are responsible for inventing their culture and this invention consists of three interdependent components:

(a) Ideological component refers to ideas, beliefs, values and approaches to defining what is right and wrong, or desirable and undesirable.

(b) Technological component is concerned with the skills, arts and crafts that provide humans with the means to produce goods by using what is available to them in their environment.

(c) Organisational component enables humans to live in the family system and makes it possible to coordinate their behaviour effectively with others' actions.

2. Culture is learned: It is not like biological features or instinctive. The process of learning cultural values begins early in life largely through social interactions among families, friends, in settings such as educational and religious institutions.

3. Culture is shared by a fairly large group of human beings living in organised societies and works as a linking force. Generally, common religion and language are the critical elements that largely help people share values, customs, norms and experiences.

4. Culture satisfies needs: Its components are passed down through generations because they are gratifying. Culture offers order, direction and guides societies in all phases of life by providing tried and trusted ways of meeting the physiological, personal and social needs and due to these reasons people feel comfortable in doing things in the customary way.

5. Cultures are similar but different: There are certain similarities among all cultures and many elements are present in all societies such as athletic sports, adornment of body, cooking of food, a calendar, family, government, language, religious rituals, language, dancing, music and many others elements. There are, though, very significant variations in the nature of these elements in different societies and may exhibit important differences in consumer behaviour.

6. Culture is not static: Some cultures are relatively more resistant to change than others but they do change gradually and continuously. These changes, however, may be very slow in some cultures while others may be more dynamic and receptive to changes.

4.8.2 Types of Culture

Cultural values are enduring beliefs that a given behaviour or outcome is desirable or good (Milton J. Rokeach). Our values, as enduring beliefs, serve as standards that guide our behaviour across situations and over time. Values are so ingrained that most of us are not really consciously aware of them and individuals often have difficulty describing them. Social values represent "normal" behaviour for a society or group.

Exhibit 4.8: Concept of Culture

Personal values define "normal" behaviour for an individual. Personal values mirror the individual's choices made from the variety of social values to which that individual gets exposed. Our value systems refer to the total set of values and the relative importance cultures place on them. The specific nature of values varies. At the broadest level are global values that represent our core value system. These values are very enduring and strongly held by us.

Shalom H. Schwartz and Wolfgang Bilsky have divided global values into seven categories. Within each of these global categories there are two types of global values. Terminal values are those that are viewed as highly desirable states such as freedom, equality, wisdom, or comfortable life etc. Those values that are needed to accomplish the terminal values are referred to as instrumental values such as loving, helpfulness, and honesty etc. are needed to achieve equality, which is a terminal value. The seven categories are:

1. Maturity

 2. Security

3. Pro-social behaviour (doing nice things to others)

4. Restrictive conformity

 5. Enjoyment in life

 6. Achievement

7. Self-direction.

4.9 Sub-cultural Influence

The influence of subculture on consumer behaviour depends on factors such as sub-cultural distinctiveness, sub-cultural homogeneity and sub-cultural exclusion.

1. Sub-cultural distinctiveness: When a subculture strives harder to maintain a separate identity, its potential influence is more. Example: Indians settled in many countries have maintained their language and religious practices as a means of cultural identity.

2. Sub-cultural homogeneity: A subculture with homogeneous values is more likely to exert influence on its members. Example: Hindus, Muslims and Sikhs of Indian origin appear to be members of separate sub-cultures. However, the common thread among all of these groups is that they have strong family ties, are basically religious, mostly conservative, have a common language (some Indian language), celebrate their festivals and are male dominated.

3. Sub-cultural exclusion: At times subcultures are excluded by society. Exclusion tends to strengthen the influence of sub-culture and encourages the maintenance of sub-cultural norms and values. Even today, in India, schedule castes are excluded from upper caste society. There are different tribal groups in India with distinct norms, customs and values and excluded by larger society. Afro-Americans have, at times, been excluded from a white dominant society through the denial of education and job opportunities. Out of several subcultures, only some are important from the marketers' point of view for formulating separate marketing programmes. Much depends on the relevance of a product category to a particular subculture.

For example, cosmetics are popular among ladies, no matter to which subculture they belong. Similarly, jeans and T-shirts are very popular among urban and semi-urban teenagers no matter whether they are Hindus, Muslims, Sikhs, or Christians etc.

4.11 Summary

- Groups serve as a reference point for the individual in forming her/his beliefs, attitudes, and behaviours.
- Group memberships and identity are important to people and we generally conform to group expectations most of the time. Marketers often advertise their products showing group settings such as family or friends etc.
- The family or household is composed of two or more persons related by blood, marriage, or adoption living in an accommodation.
- A nuclear family consists of two married adults of opposite sex and an extended or joint family may include grand parents and cousins etc. Much depends on income limitations coupled with family responsibilities. Bachelors and newly married couples may have significant discretionary income.
- The members of a family assume specific roles that also include the purchase decisions. When two or more members are directly or indirectly involved in the purchase decision making process, it is called family decision making.
- Purchase decision related roles include the influencers, gatekeepers, information gatherers, deciders, buyers, and users.
- Culture has been defined as the complex whole that includes knowledge, belief, art, law, morals, customs, and any other capabilities and habits acquired by humans as members of society.
- Culture not only influences consumer behaviour but also reflects it. It is a mirror of both values and possessions of its members. Some cultures are relatively resistant to change than others but cultures do change gradually and continuously.
- Cultural values are enduring beliefs that a given behaviour is desired or good. Values are so deeply ingrained that most of us are not really consciously aware of them and individuals often have difficulty in describing them.

- Value system refers to the total set of values and the relative importance culture places on them. At the broadest level are global values that represent the core value system and are very enduring and strongly held.

- Cross-cultural influences are norms and values of consumers in foreign markets that influence strategies of multinational companies marketing their products and services abroad.

- Analysis of culture and sub-culture enables marketers to segment their markets and fine-tune their marketing mix strategies to meet the specific needs, motivations, perceptions, and lifestyles shared by them.

4.12 Self Assessment Questions

1. Discuss the basic properties of a group. How do these relate to consumer behavior?
2. Name two reference groups that are important to you. How do these influence your buying behavior?
3. Discuss the pros and cons of using celebrity endorsers to exert informational influence on consumers.
4. Bring out the differences between individual and family decision making.
5. Examine the relevance of the family life cycle for marketers.
6. "Culture not only influences consumer behaviour but also reflects it". Comment.
7. Critically examine the characteristics of culture. Give examples.
8. "Culture satisfies needs". What do you mean by this statement and how is it important for the marketers?
9. Why is it important for a marketer to study cross-cultural differences? Support your answer with examples.
10. Discuss the sub-cultural divide in India and implications for marketers.

4.13 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition, New Delhi.

- Loudon, D.L & Delta Bitta, A.J, Consumer Behaviour, Tata McGraw Hill, New Delhi.

- Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.

- Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.

- Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

BLOCK II

THE BUYING PROCESS

BLOCK 2 – THE BUYING PROCESS

This block consists of four units namely;

UNIT 5 Problem Recognition & Information Search Behaviour, Information Processing

UNIT 6 Alternative Evaluation, Purchase Process & Post Purchase Behaviour

UNIT 7 Modelling Buyer Behaviour, Early Models, Howard Sheath Model

UNIT 8 Recent Developments in Modelling Buyer Behaviour

UNIT 5 - PROBLEM RECOGNITION & INFORMATION SEARCH BEHAVIOUR, INFORMATION PROCESSING

Unit Structure

5.0 Unit Objectives

5.1 Problem or Need Recognition (Introduction)

5.2 Types of consumer problems

5.3 Marketing strategy and problem recognition

5.3.1 Developing Marketing Mix

5.3.2 Activating Problem Recognition

5.3.3 Suppressing Problem Recognition

5.4 Maslow's Hierarchy of Needs

5.5 Information Search

5.5.1 Key Terms relating to Information Search

5.5.2 Information search can be categorized as internal or external research:

5.6 Concept of Information Processing

5.6.1 Information

5.6.2 Processing

5.6.3 Exposure

5.7 Information search and decision making.

5.7.1Two interesting issues in decisions

5.7.2 Selective Exposure

5.7.3 Adaptation

5.7.4 Attention

5.7.5 Underscoring

5.7.6 Contrast

5.7.7 Closure

5.0 Unit objectives

This unit aims at understanding the problem recognition and information search behaviour and information processing components of the buying process.

5.1 Problem or Need Recognition

Introduction

Napoleon said that nothing is more difficult than to be able to decide. The same is true to consumer's decision making, and, as a result, marketers are keen to understand the consumer decision making process. The consumer decision process is composed of problem recognition, search, evaluation, and purchase decision. Post-purchase behavior is the result of satisfaction or dissatisfaction that the consumption provides. The buying process starts, when a need or problem is identified by the customer, or when a need arises. It can be activated through internal or external stimuli. Let us now discuss the problem recognition process in detail.

Need or Problem Recognition Process

Problem recognition is the initial step in the consumer decision making journey when a consumer recognizes a need or a want which is not being fulfilled by any of the existing products or services available. It starts when a customer is unable to fulfil current or future needs with the products at disposal and starts to identify the gap which now has to be filled with a purchase of a product or a service. It is also defined as a gap between the current state

and the desired state from the customer's perspective. Problem recognition is followed by information search, evaluation of options, actual purchase and post-purchase.

When a consumer becomes aware that there is a difference between a desired state and an actual condition, then problem recognition occurs for that consumer. Every individual has unsatisfied needs and wants that create tension or discomfort. Certain needs can be satisfied by purchasing and consuming goods and services.
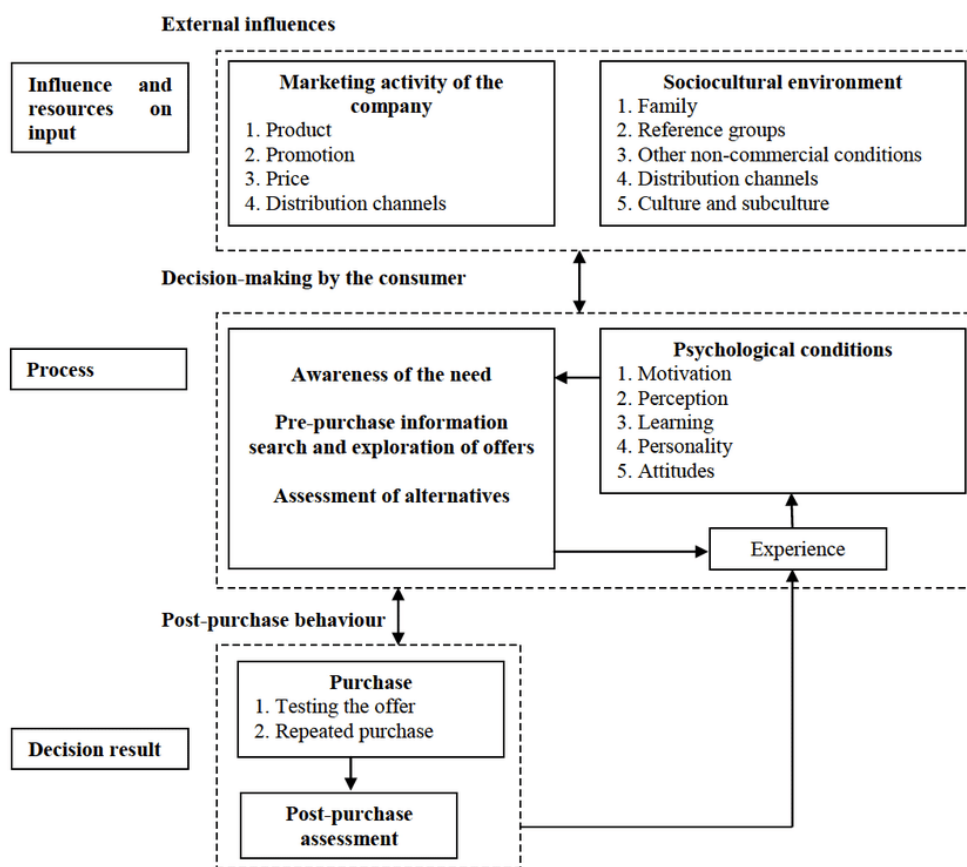
Figure 5.1: Problem Recognition Process

The process of deciding what to buy starts when a need that can be satisfied through consumption becomes strong enough to stimulate a person. Thus, a problem is recognized, when a consumer has an unmet need, and, every day consumers recognize purchase or consumption related problems. Consumers may have routine problems when they run out of

daily necessities, and may have unexpected problems when major appliances suddenly go out of order. In addition to these two, there is another type of problem, that is subtle and evolves slowly over time, such as a desire to buy a washing machine. Question of consumer decision making arises when an individual recognizes a problem or need that is not met. A problem or need exists when there is a discrepancy between a consumer's actual state and the desired state. This is shown in the following figure along with different stages of the problem recognition process.
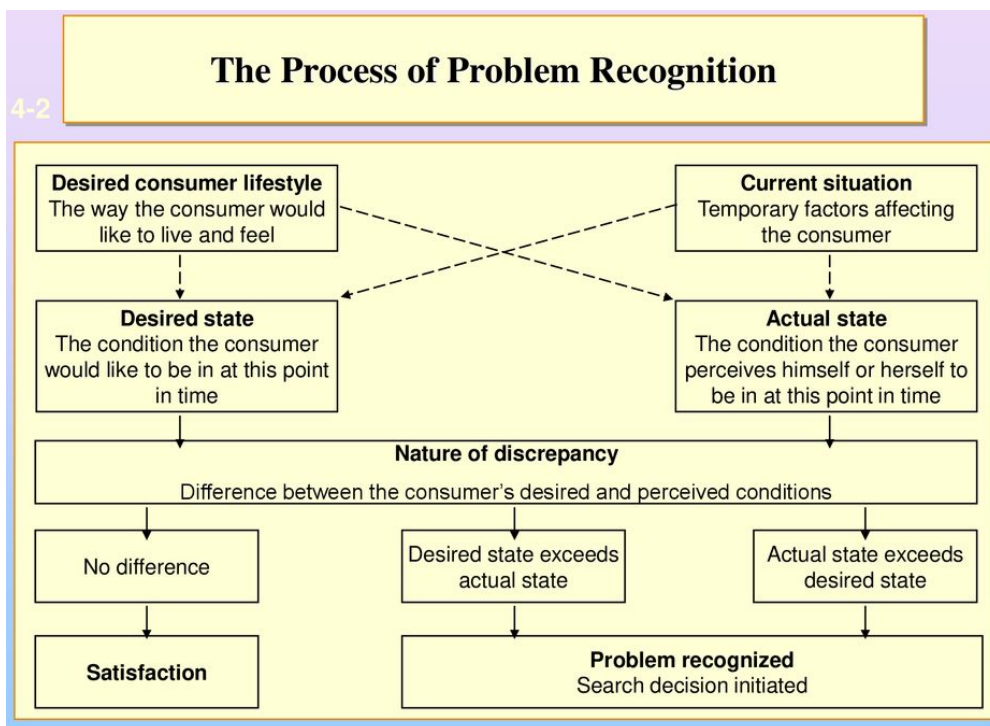
Figure 5.2: Different Stages of the Problem Recognition Process

The above figure states that the desired state and existing state is an outcome of the consumer's lifestyle and current situation. His desired and current state could be the same, or there could be discrepancies between these two states. If a consumer perceives a discrepancy between his desired and current state, he will recognize that he is having a problem. A consumer defines his problems in terms of his motivation that we have discussed in unit

eleven. The degree of an individual's desire to resolve a particular problem depends upon both the degree of discrepancy between the desired and existing states as well as the importance of the problem to him. Thus, an individual consumer will be desirous to solve a problem if he considers the degree of discrepancy as large enough and the problem as very serious or important. After the problem is identified, the buyer has to define it in some meaningful terms to help him to initiate an action that can solve his problem. For example, one may recognize that he is having a status related problem. This is problem recognition. Now he has to define it in some meaningful term, that is, what is causing the status problem. A consumer may recognize both an active as well as inactive problem that he is having. An active problem is that of which he is aware of or will become aware of, and, on the other hand, an inactive problem is one of which he is not aware of.

Situations Leading to Problem Recognition

There could be a number of situations that may lead a consumer to recognize a problem to exist. Here in this text, an idea is given on the major situations leading to problem recognition. They are presented below:

Insufficient Stock of Goods: The most common situation leading to problem recognition by a consumer is depletion of stock of goods that he uses. If, for example, an individual runs out of necessities that he uses, he will identify a problem to exist.

Dissatisfaction or Discontentment with the Stock: If a consumer becomes dissatisfied with the goods he owns or uses, he will recognize that he is having a problem. A family having a ten year's old car may be willing to buy a late model car. Such a feeling will lead to discontent, and as a result the family will recognize a car related problem.

Changes in the Environmental Characteristics: With the change in an individual's or family's environmental characteristics, the individual or the family may recognize a problem. For example, when a family moves from one stage of its life cycle to another stage, it requires different types of products and services, and as a result problems occur. More so, the influence of friends and reference groups may place a demand for new and different products to be bought by an individual or a family. Such a situation also leads to the recognition of a problem.

Changes in the Financial Status: Changes in the financial status or position of an individual or a family may also lead to problem recognition. For example, if an individual's financial position improves or worsens, or if he anticipates an improvement or deterioration, he may recognize a problem associated with his actual or anticipated changing financial position.

Promotional Activities: By promotional activities marketers try to trigger drives in consumers. Through different promotional activities, marketers try to create discrepancy between actual and desired states of consumers. Such a situation will trigger problem recognition in consumers.

Consumer's Previous Decisions*:* Other purchases made by a consumer may also lead to problem recognition. For example, if an individual buys a television, it may trigger a problem of buying an antenna or a voltage stabilizer. Or, purchasing a computer may lead to the recognition of a problem of not having a printer.

Individual Development: With an individual's mental development and change in outlook he may recognize problems of not having certain types of products.

Efforts of Consumer Groups and Governmental Agencies: Activities of different consumer interest groups as well as different government agencies may also lead to problem recognition. For example, if consumer groups advocate environmentally friendly products, consumers may feel the need for such products creating problems for the consumers. If the government puts an embargo on using private vehicles on city's main roads, that may require consumers to buy bicycles, thus causing a problem for the consumers.

Availability of Products: Availability of a product makes customers aware and informed of it, which makes them feel to have one of those. Such a feeling may also lead to problem recognition.

5.2 Types of consumer problems

Types of consumer problems may be active or inactive.

- **Active Problem**

Active is one in which the consumer is aware or will become aware of, in the normal course of events, e.g., consumer is aware of the gas lighter but insists on safety measures. A

consumer may be aware of the advantages of flying, yet is scared to do so. These are the problems about which the customers are actively aware and plan to solve it themselves by looking out for a potential product or a solution which resolved the problem. These are expected like broadband plans getting expired, needing to enroll for a college course after schooling, buying a refill for a printer, buying a bus ticket to travel to another town to meet a friend. These are examples of expected and active problems which are to be solved by the customer while being aware of them.

- **Inactive Problem**

When the consumer is not yet aware of the gas lighter or he may not be aware of the advantages of a cell phone. The marketer must activate the problem recognition. These are the ones where the customer does not know if they require them to solve them or not. An example can be insurance policy in which a customer has to be made aware that there is a need which is fulfilled by buying an insurance policy and will eventually solve a future problem if it arises.

In B2B sales especially in technology, we see this problem recognition state. Many customers have been working in the same way for many years but the new technology sellers convince them that the new digital and automated solutions are much better for them as that would help in cutting a lot of costs and increase efficiency. The customers were not aware until explained and also were not expecting to solve them immediately. But once a customer is convinced about solving the issue, then it becomes an active problem.

Many times, there can be some unexpected events in life which can lead to immediate problems that require you to buy new products or services.

Examples of Problem Recognition

The problem recognition might be due to:

1. A product being out of stock like Oil, floor, raw materials can lead to a problem

2. Dissatisfaction with the current product or state

3. New needs/wants based on the lifestyle and hierarchy in life

4. Related products/purchases e.g. After buying an expensive phone, people look to buy a case immediately to protect the phone

5. Marketer induced problem recognition which are inactive problems

6. New products and categories e.g. When an iPad was launched, people were working on phones and desktops. After the launch, a new category was created in the market called Tablet PCs.

5.3   Marketing   strategy   and   problem   recognition

Recognition of problems by consumers bears important marketing implications. They should first identify the problems that consumers face, and, in the second stage, they should develop a marketing mix aiming at consumers' problem solutions. Marketers are concerned with the following:

1. What problems consumers are facing.
2. Managers must know what market mix to develop to solve the problem.
3. They actually want the consumers to recognize the problem.
4. Sometimes managers suppress problem recognition.

Managers get to know the problem by intention and determine what improvements can be made but, the problem identified by managers may be of low importance to the consumer, therefore, the problem is found by survey, focus group interviews,product analysis, problem analysis or activity analysis, human factor research, or emotion research. Activity analysis focuses on a particular activity: maintaining a lawn, preparing dinner, and lighting the fireplace. Product analysis deals with the use of product, e.g., lawn mower, microwave oven. Problem analysis takes an opposite approach. It states the problems and asks respondents to associate a product brand or activity with it. Human factor research attempts to determine human capabilities in area of vision, strength, response time, fatigue. Emotions research marketers find the role of emotions in decision-making, i.e., emotions associated with certain products or brands.

Marketing Strategy with Regards to Problem Recognition

Recognition of problems by consumers bears important marketing implications. They should first identify the problems that consumers face, and, in the second stage, they should develop a marketing mix aiming at consumers' problem solutions. Marketers may also create situations in which consumers look for problems, or, they can create situations that may suppress the problem recognition by the consumers. In the following few paragraphs, we shall try to acquaint you with these few issues bearing marketing significance.

Measuring Problem Recognition

The fast task of a marketer is to identify the problems faced by the consumers or the problems they recognize. A marketer can take a number of approaches in measuring problems recognized by the consumers. One of such approaches is "intuition". By evaluating his product, a marketer can determine whether he should improve his product, and if so, how can do so. Second, he can conduct surveys to identify the problems recognized by his customers. A marketer can also conduct activity analysis focusing on a particular activity performed by consumers, such as how breakfast items are prepared. A product analysis may also be undertaken to identify the problem or problems consumers face in using a particular product. Another technique used in identifying problems consumers recognize is to undertake problem analysis. Here, consumers are requested to identify the problems they face and also to give suggestions relating to such problems.

Marketing Mix Decision Aiming at Problem Solution

After the problem that the consumers recognize is identified, a marketer may make adjustments in his marketing mix variables to help consumers overcome the problem. This may be done through product modification, changing channel of distribution strategy, adjusting prices, or changing advertising or communication strategy.

5.3.1   Developing   Marketing   Mix
Once the problem is recognized, a marketing mix can be offered to solve the problem product development or alteration, modifying channels of distribution, changing pricing policy, revising advertising strategy. Many people want to remain slim or away from diabetes, yet want   to   enjoy   sweets.   Sugar   free   is   their   solution. Weekend stores and night stores provide more shopping time. When you are financially independent you are exposed to insurance and credit cards to solve your future problems.

5.3.2   Activating   Problem   Recognition
Marketers themselves may activate problem recognition by the consumers. Marketers may activate problem recognition, first, by influencing the desired state. By emphasizing the benefits of a product marketers may cause people to think actively to buy a particular product that they lack. Through advertising, personal selling, and sales promotion activities marketers can influence consumers' desired state causing them to recognize problems. Marketers may also activate problem recognition by influencing perceptions of consumers' actual state. For example, an individual buying a particular brand of a product may be given the idea that

another alternative is better than one he is having or using. This may also lead to problem recognition by a consumer. Marketers may also activate problem recognition by influencing the timing of problem recognition. If a consumer is thinking of buying a refrigerator before "Eid- Ul-Azha" he may be given the idea that, during Eid time, prices of refrigerators will rise causing him to recognize the problem now instead of buying later.

By increasing the importance and magnitude of discrepancy, advertising benefits promote a sense of excitement and personal freedom, questioning the perception of the existing state (are you satisfied with the present offer?). Consumers often realize a problem when it has already occurred, and they cannot do much about it, e.g., becoming aware of insurance after the accident.

- Want emergency medicines when they are seriously ill and cannot do much.
- I Wanted flowers and forgot to plant them.

Marketers help solve such problems after they arise. Pharmacists can make home deliveries. They should try to trigger the problem recognition in advance of the actual problem.

5.3.3 Suppressing Problem Recognition

In the case of tobacco selling, they undermine the role of cigarettes as injurious, with such advertisements as "Alive with pleasure". They minimize problem recognition of it being injurious. Thus, problem recognition plays an important part as the first step in decision making. The marketers learn of the problem of the consumer, their needs and accordingly formulate a strategy.

Marketing Strategy and Problem Recognition

Discovering Consumer Problems

Emotion Research

Marketers are increasingly conducting research on the role of emotions in problem recognition and resolution.

➤Common approaches are focus group research and personal interviews that examine the emotions associate with certain problems.

➤Critical in helping marketers anticipate consumer reaction to problems and train customer service personnel to respond appropriately.

Figure 5.3 Suppressing Problem Recognition

By this time you are aware of the situations that trigger problems in consumers. Some of the problems recognized by the consumers may create problems for certain marketers. In such a situation marketers try to suppress the problem to be recognized by the consumers. A tobacco marketer may suppress problem recognition by the

tobacco users caused by consumer groups or other agencies by developing an advertisement that shows tobacco users in a lively mood.

Figure 5.4: Consumer Decision Process

This is the first stage of the Consumer Decision Process in which the consumer is able to recognize what the problem or need is and subsequently, what product or kind of product would be able to meet this need. It is oftentimes recognized as the first and most crucial step in the process because if consumers do not perceive a problem or need, they generally will not move forward with considering a product purchase.

When the product is of great interest to the consumer. It is identified with the norms of the group (all steps shown in Figure below).

Low-purchase involvement

Habitual decision-making

↓

| Problem recognition Selective |

↓

| Information search Limited internal |

↓

| Purchase |

↓

| Post-purchase No dissonance Very limited evaluation |

Limited decision-making

↓

| Problem recognition Generic |

↓

| Information search Internal Limited external |

↓

| Alternative evaluation Few attributes Simple decision rules Few alternatives |

↓

| Purchase |

↓

| Post-purchase Little/no dissonance Limited evaluation |

High-purchase involvement

Extended decision-making

↓

| Problem recognition Generic |

↓

| Information search Internal External |

↓

| Alternative evaluation Many attributes Complex decision rules Many alternatives |

↓

| Purchase |

↓

| Post-purchase Dissonance Complex evaluation |

A consumer-marketeer nexus

Figure 5.5: A Consumer Marketeer Nexus

A need can be triggered by internal or external stimuli. Internal stimuli refers to a personal perception experienced by the consumer, such as hunger, thirst, and so on. For example, an elderly, single woman may feel lonely so she decides that she wants to purchase a cat. External stimuli include outside influences such as advertising or word-of-mouth. For example, a consumer who just moved to Minnesota may not realize he needs a heavy winter coat until he sees a store advertising for it, which triggers the need in his mind.
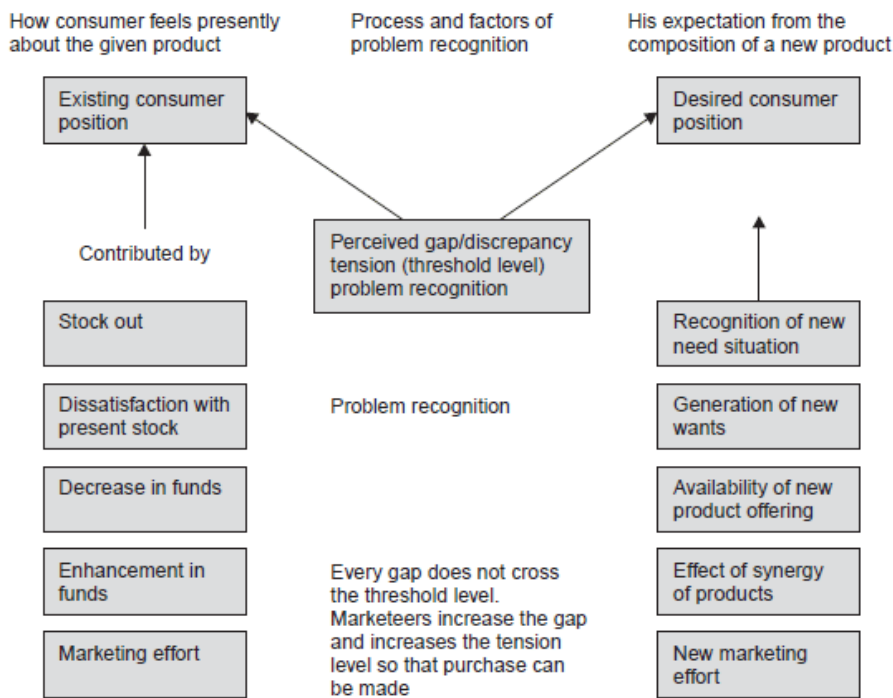
An overview of problem recognition

Figure 5.6: An Overview of Problem Recognition

At the current state of mind, the marketer may induce dissatisfaction in a currently in use product or project their obsoleteness of style and technology. Most efforts are made to condition the state of mind so that the new products are desired and bought.

Desired consumer position is achieved by advertising a new use of the product or, introducing new accessories or promising his satisfaction. The consumer gets tempted to buy new products, i.e., picture in picture television, bike with gears, easy credit facility, etc. These new attributes and facilities lure customers and customers fall for the effective marketing strategies, and use the advertised products to their satisfaction and delight.

The gap between the existing and desired state of mind is provided by the marketing stimuli. Every gap will not lead to a purchase but has to cross a threshold level to become a felt need, which will lead to purchases.

The marketing effort is not only to increase the gap between the existing and desired state of mind, but also to increase the tension level where need recognition is ensured. Marketers therefore make efforts to provide easy payment facility (credit), or through bank loans and

other financing companies. They also try to compare the consumers with their peers. All these tactics of marketing lead to problem recognition, which leads to felt need and then to purchase. Without problem recognition there is no need for a decision process. Problem recognition occurs when there is a discrepancy between the actual and the desired state. The degree to which it is out of alignment is also important. The desire to resolve a problem depends on the

(a)   Magnitude   of   discrepancy   and

(b) the relative importance of the problem, e.g., if the discrepancy is small, a decision may not be made. Sometimes, the discrepancy is large but the importance is small, so a decision may not be required, because of budget constraints, time constraints, or both, or other more important problems like housing utilities etc. e.g., if an individual's using a Bajaj Scooter for a long time and has been recommended an LML, which may have some advantage on driving comfort or on mileage, which may not be very substantial. The discrepancy may not be large enough to prompt him to change to a new scooter.

Also, if an individual has to change his scooter which is already serving his purpose but he has other more pressing problems which may concern the house or his children. He may tend to ignore the scooter problem and give greater preference to more pressing domestic engagements and other more important work which would be given preference in comparison to his own scooter problem.

The desire to resolve a recognized problem is therefore of relative importance. An individual can resolve a problem when it is convenient for him in terms of money, involvement, nature of the problem to be solved and the advantages in changing over to a new situation or a new product.

5.4 Maslow's Hierarchy of Needs

American Psychologist Abraham Harold Maslow believes that needs are arranged in a hierarchy. Only after a human has achieved the needs of a certain stage, does he move to the next one. None of his published works included a visual representation of the hierarchy. The pyramidal diagram illustrating the Maslow needs hierarchy may have been created by a psychology textbook publisher as an illustrative device.

Abraham Maslow: Abraham Harold Maslow was an American Psychology professor who created Maslow's Hierarchy of Needs.

This now iconic pyramid frequently depicts the spectrum of human needs, both physical and psychological, as accompaniment to articles describing Maslow's needs theory and may give the impression that the Hierarchy of Needs is a fixed and rigid sequence of progression. Yet, starting with the first publication of his theory in 1943, Maslow described human needs as being relatively fluid—with many needs being present in a person simultaneously.

According to Maslow's theory, when a human being ascends the levels of the hierarchy having fulfilled the needs in the hierarchy, one may eventually achieve self-actualization. Maslow eventually concluded that self-actualization was not an automatic outcome of satisfying the other human needs. Human needs as identified by Maslow:

- At the bottom of the hierarchy are the "Basic needs or Physiological needs" of a human being: food, water, sleep and sex.

- The next level is "Safety Needs: Security, Order, and Stability". These two steps are important to the physical survival of the person.

- Once individuals have basic nutrition, shelter and safety, they attempt to accomplish more. The third level of need is "Love and Belonging", which are psychological needs; when individuals have taken care of themselves physically, they are ready to share themselves with others, such as with family and friends.

- The fourth level is achieved when individuals feel comfortable with what they have accomplished. This is the "Esteem" level, the need to be competent and recognized, such as through status and level of success.

- Then fifth is the "Cognitive" level, where individuals intellectually stimulate themselves and explore.

- Finally, there is the "Aesthetic" level, which is the need for harmony, order and beauty.

At the top of the pyramid, "Need for Self-actualization" occurs when individuals reach a state of harmony and understanding because they are engaged in achieving their full potential.

Figure 5.7 : Human needs as identified by Maslow

5.5 Information Search

As we all know, marketers need-to communicate. For that matter anybody in society needs to communicate. However, the format and the intensity of stimuli may differ among the persons themselves as well as among the marketers. The net result is that we are all bombarded with continuous and countless stimuli from our environment. Fortunately or unfortunately, our brain's capacity to process information is limited and finite. Thus, consumers are very selective about what they pay attention to. As a consequence of the process of selectivity, people attend to only a small portion of stimuli to which they are exposed. Consumers practice a form of psychic economy, picking and choosing among stimuli, to avoid being overwhelmed by advertising clutter. This overabundance of advertising stimuli highlights the importance of information processing.

Information sources
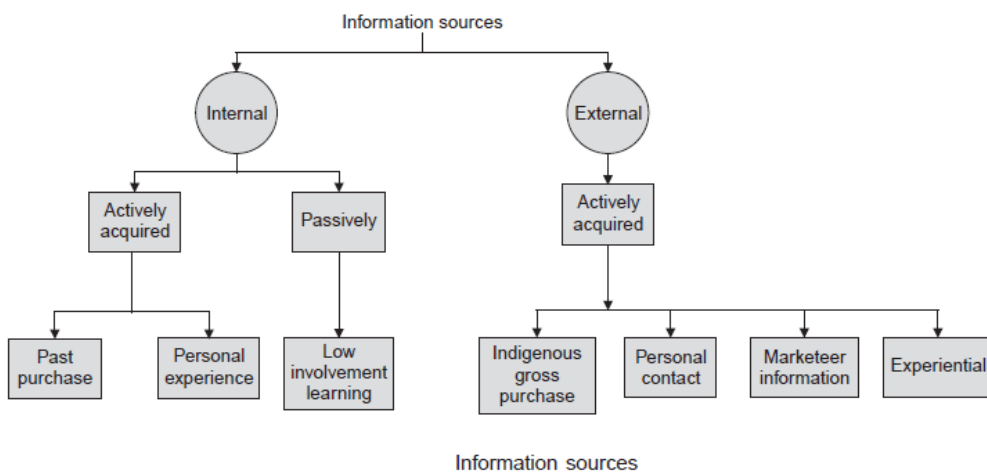
Figure 5.8 : Information Search

Information Search is a stage in the Consumer Decision Process during which a consumer searches for internal or external information.

- During the information search, the options available to the consumer are identified or further clarified.

- An internal search refers to a consumer's memory or recollection of a product, oftentimes triggered or guided by personal experience.

- An external search is conducted when a person who has no prior knowledge about a product seeks information from personal sources (e.g. word of mouth from friends/family) and/or public sources (e.g. online forums, consumer reports) or marketer dominated sources (e.g. sales persons, advertising).

5.5.1 Key Terms relating to Information Search

- Consumer Decision Process: Also known as the Buying Decision Process, the process describes the fundamental stages that a customer goes through when deciding to buy a product. Many scholars have given their version of the buying decision model.
- Information Search: The second of five stages that comprise the Consumer Decision Process. It can be categorized as internal or external research.
- External Research: When a person has no prior knowledge about a product, which then leads them to seek information from personal or public sources.

Information search is considered the second of five stages that comprise the Consumer Decision Process. During this stage, a consumer who recognizes a specific problem or need will then likely be persuaded to search for information, whether it be internally or externally. This is also when the customer aims to seek the value in a prospective product or service. During this time, the options available to the consumer are identified or further clarified.

5.5.2 Information search can be categorized as internal or external research:

- Internal research refers to a consumer's memory or recollection of a product, oftentimes triggered or guided by personal experience. This is when a person tries to search their memory to see whether they recall past experiences with a product, brand, or service. If the product is considered a staple or something that is frequently purchased, internal information search may be enough to trigger a purchase.
- External research is conducted when a person has no prior knowledge about a product, which then leads them to seek information from personal sources (e.g. word of mouth from friends/family) and/or public sources (e.g. online forums, consumer reports) or marketer dominated sources (e.g. sales persons, advertising) especially when a person's previous experience is limited or deemed inefficient.

Seeking Information: A consumer seeks information by asking an employee about a product. Asking an employee is external research.

- Examples of personal sources that are marketer dominated, include sales person advice in a retail store.
- Personal sources that are not marketer dominated include advice from friends and family.
- Television advertising and company websites are examples of non-personal sources that are marketer dominated
- Online forums are non-personal sources that are non-marketer dominated.

5.6 Concept of Information Processing

Information processing is a relatively recent addition to the lexicon of consumer behaviour and therefore, a fair amount of unanimity exists in defining the term. Thus, it is described as "a series of activities by which stimuli are transformed into information, stored and used" It thus serves the purpose of linking an individual with

groups, situations and, in our present context, with marketing influences. Information processing consists of two separate terms: Information and Processing.

5.6.1 Information

Information is a commonly used word which makes us most of the time immune to its powerful meaning. Thus, information is "all facts, estimates, predictions, and generalized relationships which affect a decision maker's perception of the nature and extent of uncertainties associated with a given consumption problem or opportunity" Information Processing Facts: are the simplest form of information and have the characteristic of being either directly observable or verifiable as an accurate representation of a given phenomenon or event. Thus, that Hero Cycle is made by the Hero Cycles is a fact. Estimates: as a form of information is based on inferences. The inference may be drawn either logically or statistically derived. Since collection of facts all the time, may be unnecessary as well as expensive, the estimates are used. In the context of the Hero cycles, the estimates are that it is the largest selling bicycle in India. Prediction: Unlike the first two forms of information mentioned so far, prediction is futuristic in nature since it makes forecasts of events yet to happen. Thus, Hero cycles as a brand will continue to dominate the Indian Cycle market in many years to come is an example of prediction. Generalized Relationship: This form of information is a form of linkage between the past and the future or links the facts with inferences. Thus, we can say that Hero Cycles adopted the policy of large production, low cost, and branding in order to achieve the large sales volume that they have made. In the context of consumer behaviour, precision is necessary in clarifying as to what form of information is being referred to.
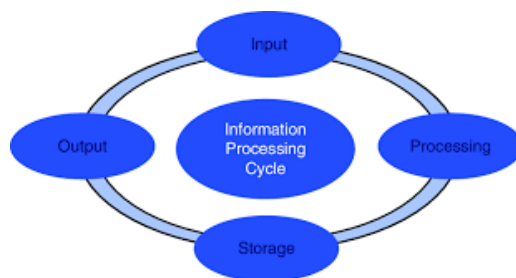
Figure 5.9 : Information Processing Cycle

5.6.2 Processing

347

Processing refers to the act(s) by which the stimulus is converted into response. There are five stages of processing- Exposure, Attention, Comprehension, Yielding and Retention. Ideally, it is the wish of every marketer to ensure that his message passes through all the five stages of the information processing. In reality, most of the times such wishes are believed as the stimulus may die during any of these stages.
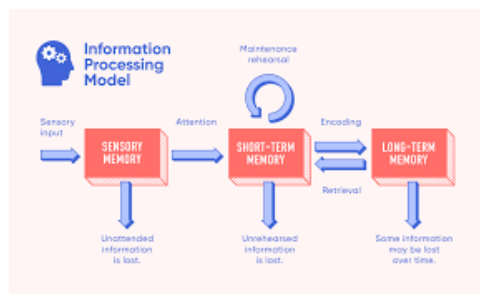
Figure 5.10 : Information Processing Model

5.6.3 Exposure

Exposure is `the degree to which people notice a stimulus that is within the range of their sensory receptors'. Consumers concentrate on some stimuli, are unaware of others, and even go out of their way to ignore some messages. An experiment by a management school on consumer exposure to information on the statutory warning against smoking of cigarettes brought this out fully. There was a confirmation of consumers' tendencies to miss or ignore information in which they are not interested. Similarly in the USA, after a state law was passed that required banks to explain details about money transfer in electronic banking, the Northwestern National Bank distributed a pamphlet to 1,20,000 of its customers at considerable cost to provide the required information, which was hardly exciting bedtime reading. In one hundred of the mailings, a section in the middle of the pamphlet offered the reader $10.00 just for finding that paragraph. Not a single person claimed the reward.
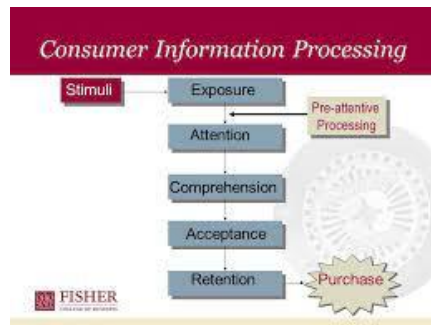
Figure 5.11: Pre-Attentive Processing

5.7 Information search and decision making.

Consumers engage in both internal and external information search. Internal search involves the consumer identifying alternatives from his or her memory. For certain low involvement products, it is very important that marketing programs achieve "top of mind" awareness. For example, few people will search the Yellow Pages for fast food restaurants; thus, the consumer must be able to retrieve one's restaurant from memory before it will be considered. For high involvement products, consumers are more likely to use an external search. Before buying a car, for example, the consumer may ask friends' opinions, read reviews in Consumer Reports, consult several web sites, and visit several dealerships. Thus, firms that make products that are selected predominantly through external search must invest in having information available to the consumer in need—e.g., through brochures, web sites, or news coverage.

Approaches to Search for Problem Solutions
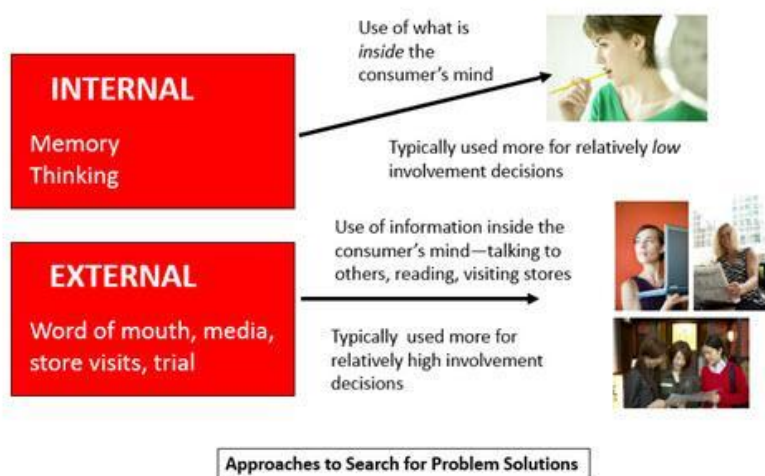
Figure 5.12 : Approaches to search for Problem Solutions

A compensatory decision involves the consumer "trading off" good and bad attributes of a product. For example, a car may have a low price and good gas mileage but slow acceleration. If the price is sufficiently inexpensive and gas efficient, the consumer may then select it over a car with better acceleration that costs more and uses more gas. Occasionally, a decision will involve a non-compensatory strategy. For example, a parent may reject all soft drinks that contain artificial sweeteners. Here, other good features such as taste and low calories cannot overcome this one "non-negotiable" attribute.

The amount of effort a consumer puts into searching depends on a number of factors such as the market (how many competitors are there, and how great are differences between brands expected to be?), product characteristics (how important is this product? How complex is the product? How obvious are indications of quality?), consumer characteristics (how interested is a consumer, generally, in analyzing product characteristics and making the best possible deal?), and situational characteristics (as previously discussed).

5.7.1 Two interesting issues in decisions

- Variety seeking (where consumers seek to try new brands not because these brands are expected to be "better" in any way, but rather because the consumer wants a "change of pace," and
- "Impulse" purchases—unplanned buys. This represents a somewhat "fuzzy" group. For example, a shopper may plan to buy vegetables but only decide in the store to actually buy broccoli and corn. Alternatively, a person may buy an item which is currently on sale, or one that he or she remembers that is needed only once inside the store.

Figure 5.13: Factors affecting Consumer Behaviour and Purchase Decisions

A number of factors involve consumer choices. In some cases, consumers will be more motivated. For example, one may be more careful choosing a gift for an in-law than when buying the same thing for one self. Some consumers are also more motivated to comparison shop for the best prices, while others are more convenience oriented. Personality impacts decisions. Some like variety more than others, and some are more receptive to stimulation and excitement in trying new stores. Perception influences decisions. Some people, for example, can taste the difference between generic and name brand foods while many cannot. Selective perception occurs when a person is paying attention only to information of interest. For example, when looking for a new car, the consumer may pay more attention to car ads than when this is not on the horizon. Some consumers are put off by perceived risk. Thus, many marketers offer a money back guarantee. Consumers will tend to change their behaviour through learning— e.g., they will avoid restaurants they have found to be crowded and will settle on brands that best meet their tastes. Consumers differ in the values they hold (e.g., some people are more

committed to recycling than others who will not want to go through the hassle). We will consider the issue of lifestyle under segmentation.

5.7.2 Selective Exposure

It refers to the truncated outcome of exposure. Experience is one factor that determines how much exposure to a particular stimulus a person accepts. Thus, if our past experience about the messages is not very stimulating, we will use what we term as the perceptual fillers, and will let them influence what we decide to process. Perceptual vigilance is another factor causing selective exposure. Consumers are more likely to be aware of stimuli that relate to their current needs. These needs may be conscious or unconscious. A consumer, who rarely notices car ads, will become very much aware of them when he or she is in the market for a new car. A newspaper ad for a fast-food restaurant that would otherwise go unnoticed becomes significant when one glances at the paper in the middle of a five o'clock class.

5.7.3 Adaptation

It is another factor that affects exposure. Adaptation is `the degree to which consumers continue to notice a stimulus over time'. The process of adaptation occurs when consumers no longer pay attention to a stimulus because it is so familiar. Almost like drug addiction, a consumer can become "habituated" and require an increasingly stronger "dose" of a stimulus for it to continue to be noticed. For example, a consumer en route to work might read a billboard message when it is first installed, but after a few days, it becomes part of the passing scenery. The following factors can lead to adaptation.

1. Intensity: Less intense stimuli (e.g., soft sounds or dim colors) habituate because they have less of a sensory impact.
2. Duration: Stimuli that require relatively lengthy exposure in order to be processed, tend to habituate because they require a long attention span.
3. Discrimination: Simple stimuli tend to habituate because they do not require attention to detail.
4. Frequency: Frequently encountered stimuli tend to habituate as the rate of exposure increases.
5. Relevance: Stimuli that are irrelevant or unimportant will habituate because they fail to attract attention. Information Processing Reflect upon the meaning of adaptation as mentioned in the section and add two more factors that can lead to it.

5.7.4 Attention

Attention is `the degree to which consumers focus on stimuli within their range of exposure'. Because consumers are being exposed to so many advertising stimuli, marketers are becoming increasingly creative in their attempts to gain attention for their products. Dynamic packaging of information or stimulus is one way to gain this attention. For instance, a jam and jelly maker in India recently portrayed an adult enjoying these products but chatting and fretting like a baby. However, the classic advertisement of ONIDA TV is the best example of creative attention gaining exercise by the marketers.

5.7.5 Underscoring

Underscoring the paramount need of always being ahead in the art of gaining consumer attention, some media and communication consulting firms have established elaborate procedures to measure the attention of consumers on several fronts. Thus, for gaining attention to packages, or enhancing package effectiveness, they recommend using such instruments as an angle meter, which measures package visibility as a shopper moves down the aisle and views the package from different angles. Similarly, data from eye-tracking tests, in which consumers' eye movements as they look at packages and ads are followed and measured, can result in subtle but powerful changes that influence their impact. For example, eye-tracking tests on an ad for Bombay gin showed that virtually no consumers were reading the message (in relatively small type) below the visual portion and that the Bombay bottle (also relatively small) positioned to the right of the visual portion was not seen by nine out of ten readers. The result was low recall scores for the ad. In a revised ad, the bottle's size was increased, and the message was emphasized. Recall scores for this version were almost 100 percent higher than for the original. There are some tested methods by which the marketers gain the attention of consumer to what they are trying to communicate:

5.7.6 Contrast

When many stimuli are competing to be noticed, one will receive attention to the extent that it differs from those around it. Thus, contrasting is another way of gaining attention of the consumers. Stimuli that fall into unpredictable patterns often command a lot of attention. For example, the British Family Planning Association creatively drew consumers' attention to its message by featuring a pregnant male in its ads. Size and color differences: Another powerful way to achieve contrast is to use a different colour and contrast. A black-and-white object in a colour ad is quite noticeable (Remember the Complete Man campaign of Raymond).

Similarly, a marketer may use a block of printed type surrounded by large amounts of white space. The size of the stimulus itself in contrast to the competition is also important.

5.7.7 Closure

The principle of closure implies that consumers tend to perceive an incomplete picture as complete. That is, we tend to fill in the blanks based on our prior experience. This principle explains why most of us have no trouble reading a neon sign even if one or two of its letters are burned out or filling in the blanks in an incomplete message. The principle of closure is also at work when we hear only part of a jingle or theme. Utilization of the principle of closure in marketing strategies encourages audience participation, which increases the chance that people will attend to the message.

5.7.8 Principle of Similarity

The principle of similarity is based on the thesis that "consumers tend to group together objects that share similar physical characteristics". That is, they group lookalike items into sets such that they form an integrated whole. Liril soap relied upon this principle when the company HALL redesigned its packaging as well as the campaign to bring out the fragrance of lime sensation. It created a `'sea of lime sensation" everywhere to unify all of its different attributes.

5.7.9 Figure-Ground Relationship

Another important principle is the figure-ground relationship, ` in which one part (the figure) will dominate while other parts recede into the background' . This concept is easy to understand if one thinks literally of a photo-graph with a clear and sharply focused object (the Figure) in the center. The figure is dominant, and the eye goes straight to it. The parts of the configuration that will be perceived as figure or ground can vary depending on the individual consumer as well as other factors. Similarly, in marketing messages that use the figure-ground principle, a stimulus can be made the focal point of the message or merely the context that surrounds the focus.

5.8 Comprehension

Comprehension is supposed to have occurred "when the consumer has placed the stimulus into any known or familiar categories in their mind and have assigned the meanings to them." In general terms, comprehension refers to understanding. The process of understanding is just

not the function of how effectively the message has been structured. The entire process is affected by factors like cultural values of the social system and the prior expectations of the receivers. For instance take the recent Ericsson advertisement of their small cellular phone. The message about the product benefit (smallness of the cellular phone) was conveyed in a rather subtle way where the `elderly looking person gets misled by a young and good-looking lady talking with someone else on the cellular phone'. The message was not understood by the target receivers, a spot check showed, in the first exposures. Reasons could be what have been mentioned above and more. Let it be understood however, that the meaning in information processing is always a `learnt meaning' i.e. dependent upon what is already part of consumer's learning prior to this informational input. It is further facilitated by the marketers' effort to simplify the message and break the complexity in part that could be understood. The attempts of Procter & Gamble in respect of the Ariel micro system to educate the Indian consumers is an example of the facilitation by the company to explain the meaning to the larger customer base.

5.9 Acceptance / Yielding

The acceptance of the intended meaning of the marketing communication refers to the process of `accepting or the tendency to accept new or varied information or meaning there from and absorbing it in the cognitive structure and long term memory" In simple words, it refers to the act of agreeing or disagreeing with the incoming stimulus of the marketer. Thus, for instance, the fact that whether we accept or not the message of the marketers to pay a higher price for the environment friendly products, is an indication of whether we accepted the stimulus or not.

5.9.1 The Resistance or Unyielding

Usually, consumers do not fight off with the marketers for their new meaning or inputs. If they don't like a given input, they may just ignore it or make it a topic of social party talks. This is a form of mild resistance or lack of acceptance. Thus, the consumers may not argue with the marketer whether a particular brand of detergent removes spots or not. The message of the devil in the ONIDA TV is an example of this passive unyielding for the messages. However, the stage becomes quite significant when some very important messages, particularly seeking a major behavioural change, are being communicated. For instance, a marketer asking us to allow freedom to the children to make their own purchases or to go for a new brand or the newer version of the brand in a very short time. The messages could be

resisted rather actively. Thus, suggestive dialogues or sexually embedded messages in the prime time of the family TV hours could be unwelcome and therefore unacceptable by the Indian consumer.

5.9.2 The Ways to Resist

There are several ways by which consumers may `tend to unyield' in respect of marketing messages. The first way is to list counter-arguments. Thus the consumer may say that the washing powder that claims to soften the wash or remove the spot is not credible as the similar ones have failed in the past and this one too will fail. The second way is to attack the source of the message. Thus, the customer may argue that the brand of the detergent under discussion has been brought out by a company that has failed several times in the past or that the celebrity that is endorsing the product is doing so only for money and no commitment. The third way is to seek support evidence or arguments. Thus, the consumer may argue that before she accepts the claim of the company, she would like to see the chemical report or the experiment results or the lab report or any other support argument. The fourth way is to resist persuasion to believe. This happens when the earlier meanings attached to the stimulus are too deep rooted and the consumer though, understanding the mistake, ostensibly resists the persuasion. In the case of the continuing example of the deter-gent, the consumer may see the trial results or the lab report but may still resist being persuaded to believe the claim. It could be due to any reason, ranging from cognitive defence or an ego hassle.

5.10 Retention

Information Processing Retention refers to the last stage of the information processing. It signals `the entry or the arrival of the stimulus in the long term memory of the consumer'. To remind you, it is sufficient to say here that retention is the ideal objective of the company in the context of information processing and that this helps customers develop attitude as well as beliefs about the consumption situation.

5.11 The Imaginal Processing

So far an impression seems to be gathering that information processing means word processing. This is incorrect and wholly inappropriate particularly today when images seem to be overtaking the words in communicating the messages. Availability of Computer graphics, the tendency of the consumers to rush through the messages and the decidedly better effectiveness of the pictures or images to convey the message must force the marketers

to understand imaginary processing as well. Another important issue is the pictures that words too seem to create. This is dependent on the power of suggestions and inferences or innuendos created by words. Sometimes the style of writing may force the consumer to visualise the whole consumption experience. Three aspects deserve our attention in this context: the first is the imagery vividness. It refers to the aspect of clarity of the mental image that the message creates. The second factor is the message control. It refers to the ability to self-generate mental images and manipulation as soon as the cue(s) are given by the marketer. The third factor is the Imagery style that reflects the willingness on the part of the consumers to habitually engage in the imaginal processing as soon as the cues are given. The situation is involuntary. The final issue here is the use of the `allegories and metaphors' in information and how the consumers process these symbolic messages. The first is the processing of metaphors, which is essentially, the use of simile (example: evening of life, suggesting the old age). The other is the personification. which represents the abstract qualities as if they were a person (example: The Air India's Maharajah). Activity 10 Draw a picture that in your view portrays the message of Lux.

5.12 The Influencing Factors

Having gone through all the five important stages of the information processing, it is important to take them as a whole and identify what are those factors that influence all the stages of the information processing: In doing so , it is not to deny that specific factors have more relevance to the pertinent stage. Thus, the influencing factors of exposure may have little relevance for retention or vice versa. Yet the fact is that there is a need of identifying a common set of factors that have a bearing on all the stages of the consumer information processing. The first influencing set of factors is the demographics of the consumers or the receivers. Thus, it is believed that older consumers process less amount of new information as compared to the younger ones. Similarly, there could be gender related differences in the amount of information processing. The housewife may have a different way of information processing than a working woman, even though they may share other demographic details. The second factor is the psychographic factors. Thus, a person having a distinct interest in advertising may process advertisements differently than the ones who have interest in other fields, say, sports. Similarly, opinionated people deliberately seek more information and are known to devote more time in analysing them.

The Buying Process The third factor is the information characteristics themselves. Rational appeal vs emotional appeal have different outcomes in consumer information processing. Single sided vs. two sided advertisements are processed differently. The fourth influencing factor is the cultural environment. People derive their usual meaning from the environment they live in. The prevailing set of notions and expectations in the environment will force these consumers to process the marketing stimuli differently. Thus, an insolent young man talking back to his parents may not be understood in the right manner in the oriental context where the respect for the elders is paramount. The fifth and final influence may stem from the media characteristics themselves. Thus, a particular medium may not help or actually retard consumer information processing. No wonder therefore, marketers supplement one medium with the other in order to facilitate the information processing of their messages.

5.13 Marketing Implications of Information Processing

In today's information rich environments consumers are exposed to a large amount of information and are exposed to a large number of stimuli on a more or less random basis during their daily activities. Even if an advertiser is successful at getting his message to the right people at the right time, exposure still may not occur. This is because sometimes consumers deliberately try to avoid exposure. The impact of the active self- selecting nature of exposure can be seen in the zipping, zapping and muting of television commercials. Thus, only a limited amount of information could be visually perceived and cognitively processed within a given time frame. People engage in selective exposure for the information to be processed and choose from messages and exhibit preferences in those selections, which may take the form of a confirmation bias. The perception and processing of brand information by the consumers is influenced by prior knowledge or experience, media perceptions and trust on media. Therefore, it is reasonable to assume that consumers who engage in selective exposure will have low information processing as they rely on their previous choices, information and opinions. A marketer can ignore the understanding of consumer information processing only at his own peril. The following facts merit special attention in terms of aiding consumer's information processing mechanisms:

 1. The design of the message (use of colours, contrast, structure etc.)

2. The concept of proximity (the context in which the message is being given. For instance an advertisement for a serious product appearing in the slot for a humorous programme etc.)

3. The concept of selective exposure (the consumer tendency to skip the commercials or leaving the place during the commercial break or zapping the ads on the VCR)

4. Influence of values (conforming or violating the values like respect to elders, love to the younger ones, ridiculing the marital relationship etc.)

5. The distortion in the physical stimulus properties (poor transmission causing distortion in the message or the picture of the marketing message, or, poor printing or composition of the newspaper or the magazine carrying a message etc.)

6. The information overload (the situation where too much information is placed before the consumer and he feels completely overwhelmed by the enormity of it.

5.14 Summary

- This is the first stage of the Consumer Decision Process in which the consumer is able to recognize what the problem or need is and subsequently, what product or kind of product would be able to meet this need.
- Desired consumer position is achieved by advertising a new use of the product or, introducing new accessories or promising his satisfaction.
- The marketing effort is not only to increase the gap between the existing and desired state of mind, but also to increase the tension level where need recognition is ensured.
- Types of consumer problems may be active or inactive.
- Problem analysis takes an opposite approach. It states the problems and asks respondents to associate a product brand or activity with it.
- Once the problem is recognized, a marketing mix can be offered to solve the problem product development or alteration, modifying channels of distribution, changing pricing policy, revising advertising strategy.
- Only after a human has achieved the needs of a certain stage, does he move to the next one. None of his published works included a visual representation of the hierarchy,
- According to Maslow's theory, when a human being ascends the levels of the hierarchy having fulfilled the needs in the hierarchy, one may eventually achieve self-actualization.
- Maslow eventually concluded that self-actualization was not an automatic outcome of satisfying the other human needs.

- Information Search is a stage in the Consumer Decision Process during which a consumer searches for internal or external information.
- Information processing is "a series of activities by which stimuli are transformed into information, stored and used"

5.15 Self – Assessment Questions

1. State the necessity of understanding the concept of Problem or Need Recognition.
2. Discuss the types of consumer problems.
3. Explain the concept of Suppressing Problem Recognition.
4. Illustrate the concept of Maslow's Hierarchy of Needs.
5. Information Search is a stage in the Consumer Decision Process during which a consumer searches for internal or external information. Comment.
6. Discuss the Concept Of Information Processing
7. What do you comprehend by Information search and Decision making?
8. Explain the concept of Marketing Implications of Information Processing.
9. Explain the process of problem recognition. Identify and explain the situations leading to problem recognition.
10. Explain the marketing strategy with regards to problem recognition.

5.16 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition, New Delhi.
- Loudon, D.L & Delta Bitta, A.J, Consumer Behaviour, Tata McGraw Hill, New Delhi.
- Aggarwal, ManqJ K.; Burger, Philip C.; and Reid, David A. "Readings in Industrial Marketing,"' Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1986.
- Alexander, Ralph., Cross, James, and Hill, Richard M. "Industrial Marketing," 3rd ed. (Illinois: Homewood Irwin, 1963).
- Ames, Charles B., and Hlavacek, James D. "Managerial Marketing for Industrial Firms" (New York. Random House Business Division, 1984), pp. 247-265.
- Choffray, Jean-Maris; and Lilien, Gary- L. "Market Planning for New Industrial Products", John Wiley & Sons, New York, 1980.

UNIT 6 ALTERNATIVE EVALUATION, PURCHASE PROCESS & POST PURCHASE BEHAVIOUR

Unit Structure

6.1 Evaluating Alternatives (Introduction)

During the evaluation of alternatives stage, the consumer evaluates all the products available on a scale of particular attributes.

- During this stage, consumers evaluate all of their products or brand options on a scale of attributes which have the ability to deliver the benefit that they are seeking.

- In order for a marketing organization to increase the likelihood that their brand is part of the evoked set for many consumers, they need to understand what benefits consumers are seeking and specifically, which attributes will be most influential to their decision-making process.

- It is important to note that consumers evaluate alternatives in terms of the functional and psychological benefits that they offer.

- During this stage, consumers can be significantly influenced by their attitude as well as the degree of involvement that they may have with the product, brand, or overall category.

- Ultimately, consumers must be able to effectively assess the value of all the products or brands in their evoked set before they can move on to the next step of the decision process.

6.1.1   Key Terminologies in evaluating Alternatives

- **Evoked Set**: The number of alternatives that are considered by consumers during the problem-solving process.

- Evaluation of Alternatives: This is the third stage in the Consumer Decision Process. During this stage, consumers compare the brands and products that are in their evoked set.

Evaluation of alternatives is the third stage in the Consumer Buying Decision process. During this stage, consumers evaluate all of their product and brand options on a scale of attributes which have the ability to deliver the benefit that the customer is seeking. The brands and

products that consumers compare – their evoked set – represent the alternatives being considered by consumers during the problem-solving process.

Exhibition Hall: In an exhibition hall, customers have a range of options to explore and evaluate.

Sometimes known as a consideration set, the evoked set tends to be small relative to the total number of options available. When a consumer commits significant time to the comparative process and reviews price, warranties, terms and condition of sale and other features it is said that they are involved in extended problem solving.

Unlike routine problem solving, extended or extensive problem solving comprises external research and the evaluation of alternatives. Whereas, routine problem solving is low-involvement, inexpensive, and has limited risk if purchased, extended problem solving justifies the additional effort with a high-priced or scarce product, service, or benefit (e.g., the purchase of a car). Likewise, consumers use extensive problem solving for infrequently purchased, expensive, high-risk, or new goods or services.

In order for a marketing organization to increase the likelihood that their brand is part of the evoked set for many consumers, they need to understand what benefits consumers are seeking and specifically, which attributes will be most influential to their decision-making process. It is important to note that consumers evaluate alternatives in terms of the functional and psychological benefits that they offer. The company also needs to check other brands of the customer's consideration set to prepare the right plan for its own brand.

During this stage, consumers can be significantly influenced by their attitude as well as the degree of involvement that they may have with the product, brand, or overall category. For example, if the customer involvement is high, then he or she will evaluate several brands, whereas if it's low, he or she may look at only one brand. In low involvement buying, the activity is usually frequent, habitual to a certain extent and there is generally little difference between the brands. No strong attachment exists between the buyer and the brand. Promotions are simple and repetitive. Conversely, high involvement buying involves products with many differences. The behaviour is more complex and the research is more detail oriented.

Ultimately, consumers must be able to effectively assess the value of all the products or brands in their evoked set before they can move on to the next step of the decision process.

6.2 Purchase Decision

At this stage of the buyer decision process, the consumer buys the product. After the alternatives have been evaluated, consumers decide to purchase products and services. They decide to buy the best brand. But their decision is influenced by others' attitudes and situational factors.

Usually, the consumer will buy the most preferred brand.

But two factors might influence the purchase intention and the purchase decision. The first factor is the attitudes of other people related to the consumer.

The second factor is unexpected situational factors. The consumer may form a purchase intention based on factors such as expected price and expected product benefits.

However, unexpected events may alter the purchase intention. Thus, preferences and even purchase intentions do not always lead to actual purchase choice.

6.3 Purchase Decisions: 9 Things to Know About Influencing Customers

If you want to get people to buy your stuff, you need to understand how consumers make purchasing decisions.

People research products. They compare competitors. Some <u>87% of buying decisions</u> begin with research conducted online, usually on Amazon or Google.

Product quality and <u>seller reputation matter</u>, of course. But what about when the product matches the customer's needs and they trust the seller? What influences a purchase decision once those fundamentals are in place?

Here are 9 things you should know if you want to win over customers as they make a decision to buy.

1. Reviews matter for deciding on products and companies.

Many studies in recent years have confirmed what we already know: People read reviews and decide what to buy based on them.

Some 88% say they trust online reviews as much as personal recommendations, and 39% read reviews on a regular basis. In fact, only 12% of those surveyed don't read reviews at all. (And that was a few years ago.) We've written at length on the impact of user-generated reviews.
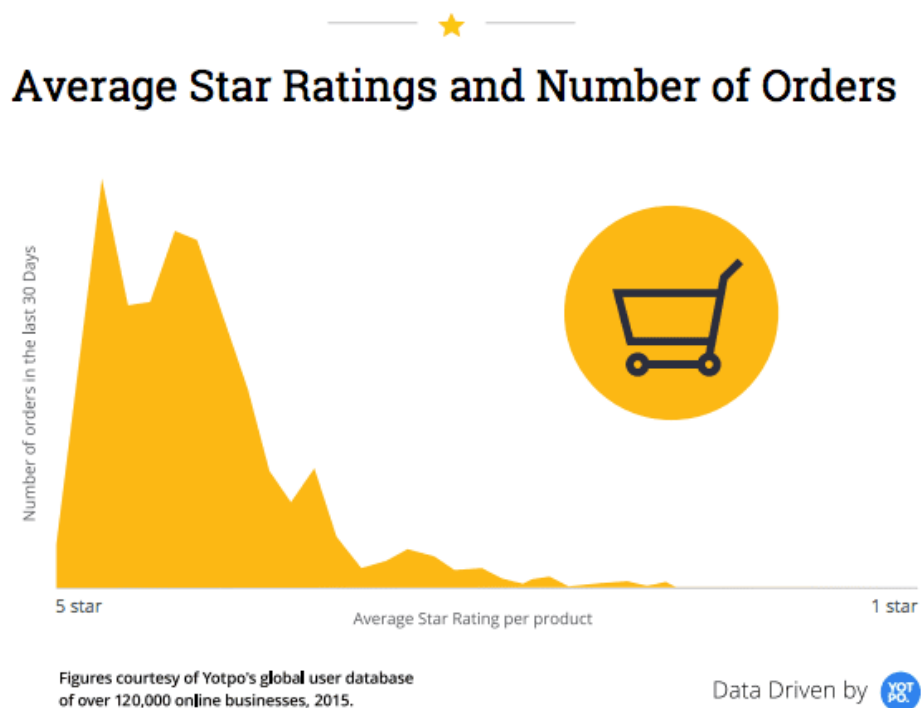
Figure 1 : Average Star Ratings and Number of Orders

There's a strong correlation between a product's review stars and the number of orders.

So start gathering reviews on your site. If you sell commodity products, you might want to pull reviews from an external site so that you can display more of them. Use structured data to get review stars from highly reviewed products into search results. Our internal study on the impact review stars showed that they can increase click-through-rates by as much as 35%.

More reviews can help insulate your reputation from the inevitable impossible-to-please customer. That said, don't delete negative reviews. They actually help sales if there are only a few of them and they're politely worded.

If there are tons of negative reviews, most people are naturally turned off and look elsewhere.

2. People gather buying recommendations from mixed sources.

Even though social media and the Internet rule, customers make purchase decisions using a combination of old media, new media, and conversations with friends and family. (To read more about this, I encourage you to check out People Comparison Shop, Stupid.)

According to a 2009 study by Harris Interactive, the most common methods for gathering information prior to making a purchase are:

- using a company website (36%);
- face-to-face conversation with a salesperson or other company representative (22%);
- face-to-face conversation with a person not associated with the company (21%).

Another, slightly more recent, study claims that 59% of people still consult friends and family for help with a purchase decision.

Even in the modern era, the influence of friends and family on purchasing decisions remains strong.

Asking people around us for recommendations remains commonplace. This means the experience you provide to your customers matters a great deal.

Omnichannel journeys are on the rise as well. Customers are no longer relying on single sources. According to recent research, 73% of retailers say omnichannel is important to them, but only 38% say they are beyond the beginning stages of an omnichannel journey.

3. People don't often know why they like something.

There's a famous study about jam tasting. Scientists asked a big sample of consumers to rank jams on taste, ordering them from top to bottom.

Then the scientists re-did the study with a different, but still statistically representative, group. This time, they asked the sampler to put the jams in order of taste and explain their thinking. The order flipped. The jams that the first group ranked as the best tasting were judged to be the worst by the second group.

The reason is that the conscious brain suddenly got involved in a task it didn't really understand. Suddenly, there were social pressures (i.e. what they should choose), leading answers away from what people actually liked.

People make instant decisions with their subconscious. When they have to explain the choice, the choice may change completely because the rational mind is involved.

4. The crowd leads the way to buyer preferences.

Most of our preferences are learned and formed by social norms and expectations.

Your buying habits may depend more on crowd behaviour than you think.

An old Washington Post column uses the example of clam chowder. Decades ago, it was thin. But now, it's almost uniformly thick. What happened? At some point, restaurateurs got in the habit of adding flour to make chowder thicker and thicker. Now, this is what consumers have come to consider a bowl of "authentic" clam chowder.

These learned preferences can just as easily involve characteristics that, from an objective standpoint, don't make a product any better—and might even make them worse, especially when it comes to texture.

Ravi Dhar, a marketing professor at the Yale School of Management, notes that although Heinz ketchup does not reliably win in blind taste tests, it has established itself as the gold standard in its category because it's thicker. In the marketing world, Dhar says, "meaningless attributes often lead to meaningful differentiation."

Ever wondered why so many products on store shelves are so similar? Wouldn't it be better to make them different? Not necessarily.

"There are huge incentives in consumer markets, even for competing companies, to make everything the same, " says Dan McGinn, president of a research and strategy consultancy in Arlington, Virginia.

Yes, our preferences evolve as society evolves. That impacts our purchasing decisions. A "family car" used to mean a station wagon. Then it was a minivan. Now, it's an SUV.

If you're interested in this concept, we've written an article on the idea of familiarity as a marketing tactic. Essentially, the more we're exposed to something, the more likely it is that we'll develop a preference for it and decide to buy it.

Takeaway: In markets where people have a lot of experience with the product category, it pays to mimic the market standard.

5. Simplicity always wins for decision-making.

Cognitive fluency is the human tendency to prefer things that are not only familiar, but also easy to understand. (That's why simple sites are scientifically better.)

For marketers, this means that the easier it is to understand an offer, the more likely people are to buy it.

Psychologists have determined, for example, that shares in companies with easy-to-pronounce names significantly outperform those with hard-to-pronounce names. Coincidence? Nope.

Why do people love to buy unlimited plans?

Understanding and comparing different cell-phone plans is a pain. It takes time to identify the best option. Who wants to spend 20 minutes comparing monthly minutes and text limits? So what do people do? They buy the unlimited plan. It's often not the best value, but it's easy to understand.

Consumers often decide to buy unlimited plans because they're simple to understand, not because they make the most financial sense.

Cell phone companies make the most money from unlimited plans, and they have an extra incentive to make other plans confusing. Plans with a fixed number of minutes charge high fees for going over your allotted minutes. It's designed to cause you enough pain that you switch to a plan with a higher regular fee.

Previous positive experiences matter.

Cognitive fluency also explains

- Why you continue to buy from brands and service providers you've used before
- Why do you often order the same thing from the menu?

It's just easy. You've tried it, it worked, and you don't want to spend a bunch of time researching alternatives. You don't want to risk a bad purchase.

As a marketer, this means it's super important to get a customer to decide on that first purchase. Pack your first offer with value and make it as easy as possible to buy. Once consumers have their first positive buying experience, it's much easier to get repeat purchases.

Hard to read, hard to buy.

Make your website easy to read. When people read something in a difficult-to-read font, they transfer that sense of difficulty onto the topic they're reading about.

The same goes for products and purchases. We've conducted a number of original studies on ecommerce product pages. In one of those studies, we found that the way products are described matters. The format of text descriptions influences how people perceive the products themselves. Make every aspect of the decision to purchase as simple as possible.

6. For retail stores, even flooring influences purchasing decisions.

Research by Joan Meyers-Levy suggests that the way people judge products may be influenced by the ground beneath them.

"When a person stands on carpeted flooring, it feels comforting," says Meyers-Levy. "But the irony is that when people stand on the carpet, they will judge products that are close to them as less comforting."

If you're trying to persuade your retail customers to buy, even elements like your store flooring can impact their purchasing decision.

When people were standing on soft carpet and viewing a product that was moderately far away, they judged that item's appearance to be comforting. However, people who examined products while standing on the same plush carpet judged items that were close by as less comforting.

This translates online as well. The way things are presented and emotional factors come into play. It's your responsibility to be aware of them and manage them accordingly. Seemingly unimportant details can affect consumers' decision to buy or click away.

Takeaway: Cover walking areas in your retail store with soft carpet, but use hard flooring next to products.

7. The jury is out on social media's influence on buying decisions.

There's conflicting research on the influence of social media on purchase decisions. One study found that consumers are 67% more likely to buy from brands they follow on Twitter.

Another report showed that social media rarely leads directly to online purchases. Data indicated that less than 2% of orders resulted from shoppers coming from a social network. The report found that email and search advertising were much more effective vehicles for turning browsers into buyers.

The difference between these two studies is that the first was based on what people said, but the second was based on what people actually did. (However, they were tracking direct click-throughs from social media, not taking into account the positive influence it may have over time.)

The real answer is that social media probably impacts purchase decisions, but it's a slow, relationship-building process. Just shouting "buy this" works on a very small number of people.

Even as social media purchases continue to increase—nearly half of survey respondents in 2017 had made a purchase directly through Facebook—a full third of the market had yet to buy via social media. Less than one in ten bought from any social channel other than Facebook.

Social Media Platform on Which US Social Media Users Last Made a Purchase Directly from a Social Media Post*, Oct 2017
% of respondents

Facebook	47.7%
Instagram	8.6%
YouTube	4.5%
Pinterest	2.1%
Twitter	1.4%
Snapchat	0.8%
Other	0.4%
Never purchased an item through social media	34.6%
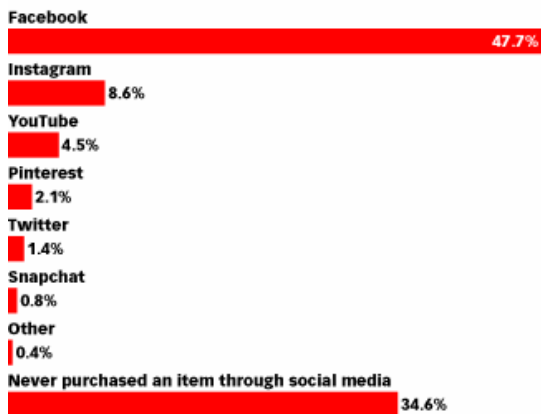
*Note: n=514 who use social media at least once a week and follow any celebrities or people they don't personally know on social media; numbers may not add up to 100% due to rounding; *or link within a post
Source: Open Influence, Oct 24, 2017*

231929   www.**eMarketer**.com ([Image source](#))

Social media links have an influence, too.

A study examined how the presence of a Facebook "Like" button and the Twitter logo might affect online purchase decisions.

The findings:

- When the product was one for which public consumption is desirable (sportswear, fragrance), the presence of the Facebook and Twitter icons made people 25% more likely to purchase.
- When the product was more private in nature (Spanx, Clearasil), the presence of Facebook and Twitter icons made participants 25% less likely to purchase.

Does buying your product make your customer seem more or less cool? Place the Facebook and Twitter icons accordingly.

8. When it comes to buying, we make emotional decisions and rational justifications.

Do people make decisions based on emotions or logic? McCombs marketing professor Raj Raghunathan and PhD student Szu-Chi Huang point to their research study.

The study shows that comparative features are important but mostly as a justification for after a buyer makes an emotional decision. Here's how they ran their study.

Emotions rule in all areas of buying behaviour.

The scientists replicated the results in other areas, including marketing, politics, religion, etc.

"This process seems to be happening somewhat unconsciously, people are not really aware they're coming up with these justifications. What is even more interesting is that people who claim that emotions are not that important, who consider themselves to be really rational, are actually more prone to fall into this trap."

9. The subconscious drives purchase decisions.

For the last 50 or 60 years, market research, as an industry, has believed that people make decisions based on rational, conscious thought processes. Science tells a different story, one that turns that fundamental belief on its head. Most decision-making happens at the subconscious level.

We may focus on facts and numbers, but in many cases, it's the subliminal that makes people decide one way or another.

6.4 Post purchase behaviour in Consumer Buying process

Post-purchase behaviour is the reaction of the consumer, it gives an idea of his likes and dislikes, preferences and attitudes and satisfaction towards the product. It indicates whether or not the purchase motives have been achieved. Purchase is the means, and post purchase is the end. Post purchase behaviour indicates whether or not repeat purchases will be made. Whether the customer will recommend the product to others or not. It indicates whether long-term profits can or cannot be expected. All this can be found out by the post-purchase behaviour of the customers. Post purchase is the last phase in the decision-making process as indicated by Figure below. The customer while making a decision goes through three phases:

1. Pre-purchase activity which consists of;

    Problem recognition ⟶ Information search ⟶ Evaluation of alternative

2. Purchase process ⟶ { Intention to buy
    { Situational influences

3. Post-purchase behaviour ⟶ { Maintenance
    { Repair
    { Usage cost

4. Feedback to the marketeer ⟶ { Improves the products
    { Changes the marketing mix
    { gives more facilities to the consumer

After purchasing a product, a customer is either satisfied or dissatisfied and his satisfaction or dissatisfaction depends on his expectation and the difference between the performance. Expectation gives the degree of customer's satisfaction/dissatisfaction with the product. This is shown in Figure below.
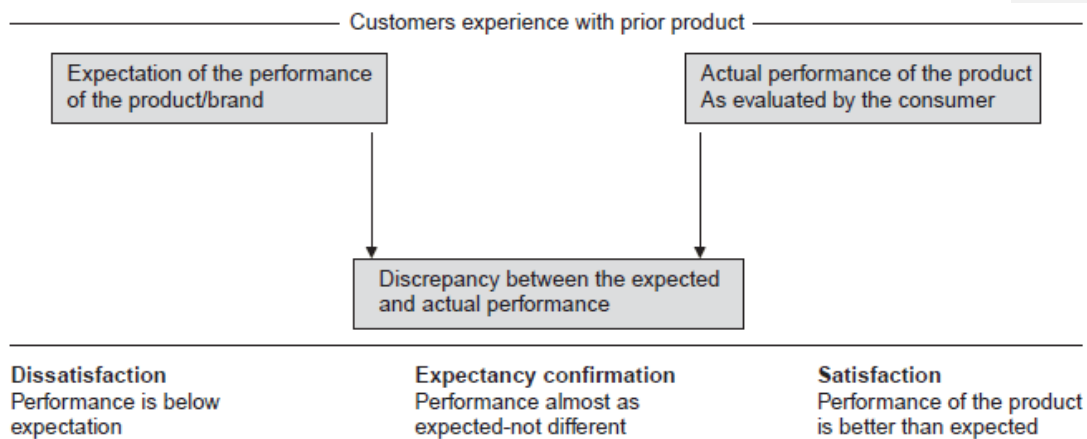
The figure illustrates that if the performance is below expectations the customer is dissatisfied. However, there can be a match between the two, i.e., performance is in line with expectation. In another position is the product which surpasses the expectancy level, and performs much better than expected. This is a source of satisfaction and delight to the consumer.

Satisfaction or dissatisfaction cannot be generalized, i.e., there is no accepted definition of satisfaction or dissatisfaction. It depends on a number of factors outlined below:

- The presence of a particular factor may cause dissatisfaction. If the same factor is removed, it may not unnecessarily lead to satisfaction, i.e., greasy snacks may lead to dissatisfaction but, the absence of greasiness in the same snacks may not lead to satisfaction.
- If it is a cumulative effect of many factors put together, the effect of individual factors cannot be gauged easily.
- Dissatisfaction may as such not lead to any complaint, but the dissatisfaction of a high degree may lead to complaint making of a complaint and, handling of satisfaction or dissatisfaction is a logical process. A person will not complain if he sees no use of doing so or feels that the complaint will not be entertained. Also, consumers complain if it is convenient for them to do so. They may not go out of their way to make complaints. Complaining also requires resources, i.e., time, money, knowledge, expertise,etc. which one may not possess.

6.5 The dissatisfaction by a consumer towards product may lead to:

1. Discontinuing purchase of those products or brands by which a customer is dissatisfied. If he had been patronizing that product which has led to his dissatisfaction,he may change to a new brand or a new product.
2. Negative Word of mouth He speaks negatively about the product to his friends,peers and associates. Instead of propagating the positive aspects, he starts defaming the product/brand and shows his dissatisfaction openly.
3. Lodges a complaint to the concerned authorities. Consumer Forum is one such agency that entertains such complaints. It may be a time-consuming process and difficult for all dissatisfied customers to resort to.
4. Complaints directly to the seller and gets his claim settled or the product/brand changed according to his liking or agrees for any such settlement.

It is the effort of every firm to produce satisfied customers. This is essential to fight increasing competition. Some dissatisfied customers however remain repeat purchasers, as they do not find a suitable alternative or, find that brand readily available and buy it due to force of habit or, because of low price. These purchasers may not be brand loyal. A brand loyal or a committed customer is attached to the brand emotionally. He believes in the firm and trusts the brand. Brand loyalty increases if the performance of the brand is more than the expected performance. In case of committed customers, they believe and have faith in line extension and brand extension of the firm. Committed customers also promote the product by positive word of mouth.

6.6 Role of a Marketer

The marketer has to watch that the customer is not dissatisfied. Through dissatisfaction, a lot of customers or clientele is lost and the marketer suffers losses. To avoid this, a marketer has to be on the lookout for causes of dissatisfaction and maintain and build consumer satisfaction.

This can be done by regularly monitoring consumer reaction. It can be done by interviewing the consumer or serving questionnaires and analyzing and interpreting them carefully. Besides this, a strict vigil is to be kept on the quality of the product. Quality should be the joint responsibility of marketing and production. If necessary, other departments should also be involved, and an integrated marketing procedure be followed.

In case of complaints, they must be given proper attention and redressal be made as soon as possible. All complaints must also be acknowledged to satisfy and assure the customer that appropriate action will be taken as soon as possible. While registering complaints, due courtesy should be shown to visiting customers and their complaints be entertained in a proper manner. To avoid dissatisfaction of the consumer, only realistic claims be made.e., advertisement of a scooter giving 55 km. per litre may be unrealistic when it can give a maximum of 40 km. This unrealistic claim made by the manufacturer may lead to dissatisfaction of the consumer. The marketer must also help train the consumer for the proper use of the product.If the product is not used in the way it is meant to be used, it gets spoilt, and does not perform up to expectation leading to a discrepancy between the actual and the desired which leads to dissatisfaction of the consumer. A marketer must also assure after sales service and keep in touch with the consumer even after purchase, to give him the promised after sales facility, as well as, importance to the consumer. A marketer must also sell solutions instead of the product.He should emphasize upon the felt need and fulfill it, rather than emphasize the product.He should take care of the marketing concept. If this is not taken care of, it becomes injurious in the long run.

In case of dissatisfaction, post-purchase dissonance occurs which creates anxiety and the consumer feels psychologically uncomfortable. The consumer reduces the negative information received by the following methods:

- Ignoring the dissonance information.
- By selectively interpreting the information.
- By lowering the level of expectation.
- By seeking positive information about the brand.

- By convincing themselves that the purchase was right.

If the disparity between performance and expectation is not great an as simulation effect occurs and consumers ignore the product's defects and their evaluation is positive. If the disparity is great a contrast effect takes place and repeat purchase does not take place.

6.7   Product   vs.   Service   Consumption

Products are tangible while services are intangible and the consumption experience is more variable. While traveling one trip can be pleasant, other trips may be unpleasant. Once the service can be courteous then it can be discourteous. It is therefore difficult for consumers to assess services rather than products. Therefore, marketers must reduce service variability and build a long-term customer relationship (Relationship Marketing).

6.7 Summary

- Evaluation of Alternatives: This is the third stage in the Consumer Decision Process. During this stage, consumers compare the brands and products that are in their evoked set.

  - In order for a marketing organization to increase the likelihood that their brand is part of the evoked set for many consumers, they need to understand what benefits consumers are seeking and specifically, which attributes will be most influential to their decision-making process.

  - If you want to get people to buy your stuff, you need to understand how consumers make purchasing decisions.

  - Cognitive fluency is the human tendency to prefer things that are not only familiar, but also easy to understand.
  - Post purchase behaviour in Consumer Buying process
  - Post-purchase behaviour is the reaction of the consumer, it gives an idea of his likes and dislikes, preferences and attitudes and satisfaction towards the product.
  - Post purchase is the last phase in the decision-making process.

6.8 Self – Assessment Questions

- State the relevance of Evaluating Alternatives in the buying process.

- Explain the relevance of Purchase Decision.

377

- What are the things one must know about Influencing Customers

- What is the relevance of Post purchase behaviour in the Consumer Buying process?

- What will dissatisfaction by a consumer towards a product may lead to?

- Define the term Cognitive fluency?

- What are the possible outcomes of post purchase behavior?

6.9 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition, New Delhi.
- Loudon, D.L & Delta Bitta, A.J, Consumer Behaviour, Tata McGraw Hill, New Delhi.
- Aggarwal, ManqJ K.; Burger, Philip C.; and Reid, David A. "Readings in Industrial Marketing,"' Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1986.
- Alexander, Ralph., Cross, James, and Hill, Richard M. "Industrial Marketing," 3rd ed. (Illinois: Homewood Irwin, 1963).
- Ames, Charles B., and Hlavacek, James D. "Managerial Marketing for Industrial Firms" (New York. Random House Business Division, 1984), pp. 247-265.
- Choffray, Jean-Maris; and Lilien, Gary- L. "Market Planning for New Industrial Products", John Wiley & Sons, New York, 1980.

UNIT 7 - MODELLING BUYER BEHAVIOUR, EARLY MODELS, HOWARD SHEATH MODEL

Unit Structure

7.0 Unit Objectives

7.1 Customer Behavior Modeling

7.1.1 Prologue

 7.2 The Difficulty of Customer Behavior Modeling

7.3 Customer Behavior Analysis: The RFM Approach

7.4 A Better Approach to Customer Behavior Modeling

7.5 Consumer Behaviour Models

7.5.1 Models of Consumer Behaviour: Traditional Models, Contemporary Models, Marshallian Model and a Few Others

7.5.2 Models of Consumer Behaviour – 4 Important Models: Marshallian Model, Freud's Model, Pavlovian Model and Howard-Sheth Model

7.5.3 Models of Consumer Behaviour – 4 Main Models: The Economic Model,The Learning Model, The Psychoanalytic Model and The Sociological Model

7.6 Summary

7.7 Self-Assessment Questions

7.8 Suggested Readings

7.0 Unit Objectives

This unit helps us in analysing the Modelling Buyer Behaviour, Early Models, Howard Sheath Model

7.1 Customer Behaviour Modeling

Customer behaviour modeling identifies behaviours among groups of customers to predict how similar customers will behave under similar circumstances.

7.1.1 Prologue

Customer Behaviour Modeling is defined as the creation of a mathematical construct to represent the common behaviours observed among particular groups of customers in order to predict how similar customers will behave under similar circumstances.

Customer behaviour models are typically based on data mining of customer data, and each model is designed to answer one question at one point in time. For example, a customer model can be used to predict what a particular group of customers will do in response to a particular marketing action. If the model is sound and the marketer follows the recommendations it generated, then the marketer will observe that a majority of the customers in the group responded as predicted by the model.

7.2 The Difficulty of Customer Behaviour Modeling

Unfortunately, building customer behaviour models is typically a difficult and expensive task. This is because the smart and experienced customer analytics experts who know how to do it are expensive and difficult to find, and because the mathematical techniques they need to use are complex and risky.

Furthermore, even once a customer behaviour model has been built, it is difficult to manipulate it for the purposes of the marketer, i.e., to determine exactly what marketing actions to take for each customer or group of customers.

Finally, despite their mathematical complexity, most customer models are actually relatively simple. Because of this necessity, most customer behaviour models ignore so many pertinent factors that the predictions they generate are generally not very reliable.

7.3 Customer Behaviour Analysis: The RFM Approach

Many customer behaviour models are based on an analysis of Recency, Frequency and Monetary Value (RFM). This means that customers who have spent money at a business recently are more likely than others to spend again, that customers who spend money more often at a business are more likely than others to spend again and that customers who have spent the most money at a business are more likely than others to spend again.

RFM is popular because it is easy to understand by marketers and business managers, it does not require specialized software and it holds true for customers in almost every business and industry.

Unfortunately, RFM alone does not deliver the level of accuracy that marketers require. Firstly, RFM models only describe what a customer has done in the past and cannot accurately predict future behaviours. Secondly, RFM models look at customers at a particular point in time and do not take into account how the customer has behaved in the past or in what lifecycle stage the customer is currently found. This second point is critical because accurate customer modeling is very weak unless the customer's behaviour is analyzed over time.

7.4 A Better Approach to Customer Behaviour Modeling

Optimove introduces customer behaviour modeling methods which are far more advanced and effective than conventional methods. By combining a number of technologies into an integrated, closed-loop system, marketers enjoy highly accurate customer behaviour analysis in an easy-to-use application.

Optimove achieves market-leading predictive customer behaviour modeling with the combination of the following capabilities:

1. Segmenting customers into small groups and addressing individual customers based on actual behaviours – instead of hard-coding any preconceived notions or assumptions of what makes customers similar to one another, and instead of only looking at aggregated/averaged data which hides important facts about individual customers

2. Tracking customers and how they move among different segments over time (i.e., dynamic segmentation), including customer lifecycle context and cohort analysis – instead of just determining in what segments customers are now without regard for how they arrived there

3. Accurately predicting the future behaviours of customers (e.g., convert, churn, spend more, spend less) using predictive customer behaviour modeling techniques – instead of just looking in the rear-view mirror of historical data

4. Using advanced calculations to determine the customer lifetime value (LTV) of every customer and basing decisions on it – instead of looking only at the short-term revenue that a customer may bring the company

5. Knowing, based on objective metrics, exactly what marketing actions to do now, for each customer, in order to maximize the long-term value of every customer – instead of trying to figure out what to do based on a dashboard or pile of reports.

6. Employing marketing machine learning technologies that can reveal insights and make recommendations for improving customer marketing that human marketers are unlikely to spot on their own.

One way to think of the difference between conventional approaches and the Optimove approach is that the former is like a customer snapshot whereas the latter is a customer animation. The animated view of the customer is far more revealing, allowing much more accurate customer behaviour predictions.

7.5 Consumer Behaviour Models

Everything you need to know about the models of consumer behaviour.

It is very important for a company to know and understand the consumers' response towards different product features, prices and advertising appeals, as well as their effect on the product getting a competitive edge over the other products. Stimulus response model of buyer behaviour is the starting point in this respect.

The models of consumer behaviour are:-

1. Traditional Models

2. Contemporary Models

3. Marshallian Model

4. Freud's Model

5. Pavlovian Model

6. Howard-Sheth Model

7. The Economic Model

8. The Learning Model

9. The Psychoanalytical Model

10. The Sociological Model.

7.5.1 Models of Consumer Behaviour: Traditional Models, Contemporary Models, Marshallian Model and a Few Others

- **Models of Consumer Behaviour – Traditional**
- **Models and Contemporary Models**

1. Traditional Models:

The early or traditional models were developed by economists with a view to understand economic systems. Economics helps to understand how scarce resources are allocated among unlimited wants and needs. The first four Models give a general view in terms of the Economic model, Learning model, Psychoanalytic model and the Sociological model.

i**. Economic Model:**

Under economics, it is assumed that man is a rational human being, who will evaluate all the alternatives in terms of cost and value received and select that product/service which gives him/her maximum satisfaction (utility). Consumers are assumed to follow the principle of maximum utility based on the law of diminishing marginal utility. It is assumed that with limited purchasing power, and a set of needs and tastes, a consumer will allocate his/her expenditure over different products at given prices so as to maximise utility.

The law of equimarginal utility enables him to secure maximum utility from limited purchasing power.

Economic model of consumer behaviour is unidimensional. This means that buying decisions of a person are governed by the concept of utility. Being a rational man he will make his purchase decisions with the intention of maximising the utility/benefits.

Economic model is based on certain predictions of buying behaviour.

1. Price effect – Lesser the price of the product, more will be the quantity purchased.

2. Substitution effect – Lesser the price of the substitute product, lesser will be the quantity of the original product bought.

3. Income effect – More the purchasing power, more will be the quantity purchased

The assumption about the rational behaviour of human beings has been challenged by the behavioural scientists. They are of the opinion that while the predictions are useful, the model only explains how a consumer ought to behave, it does not throw light on how the consumer actually behaves.

Behavioural scientists feel the economic model is incomplete. They feel that Economics is assuming the market to be homogeneous where all the buyers will think and act alike and also focuses only on one aspect of the product i.e., income.

It has been argued upon that man is a complex entity and hence the need to adopt a multidisciplinary approach to understand consumer behaviour. Whereas, the model has ignored all vital aspects such as perception, motivation, learning, attitude, personality and socio-cultural factors.

Added to this, man is today living in a technologically advanced age with constant exposure to the various marketing variables such as superior technologically advanced quality products (and services), efficient network distribution centers, highly interactive media exposure etc. Under such circumstances man cannot be assumed to be a rational person who only treats 'price' as the deciding factor in his consumption related decisions.

Behaviour scientists have opined that broader perspectives need to be adopted while analysing the buyer behaviour. So apart from economics, even the role played by needs, motives, personality, self-concept and the socio-cultural factors have to be considered for understanding the buyer responses to various stimuli, which in turn could influence their buying behaviour.

ii. **Learning Model:**

Unlike the economists, classical psychologists have been interested in the formation and satisfaction of needs and tastes. They argued that living beings were influenced by both innate needs such as the primary needs of hunger, thirst, sex, shelter and learned needs like fear and guilt. A drive (internal stimulus) which when directed towards a drive reducing object becomes a motive.

The various products or services will act as stimuli to satisfy drives. For instance, a hungry person will be driven towards food, which after consumption will reduce the drive and also provide satisfaction. According to learning theorists, this response of satisfaction (feeling) reinforces the relationship between drive and the drive reducing stimulus object as well as the related cues.

Further, when consumers learn to associate the connection between stimulus and response, it becomes a habit. There are certain cognitive theorists, who have advocated that human beings not only learn to link stimulus with response (S-R) but also about the formation of other cognitive processes such as, attitudes, values, beliefs, motivation etc.

In a marketing context, 'learning' will help marketers to understand how consumers aim to respond in new marketing situations, or how they have learned and responded in the past in

similar situations. Very often it is observed that a consumer's experience with one product from an organisation is likely to be generalised to the other products of the firm.

Conversely, consumers also learn to discriminate and this information will be useful in working out different marketing strategies. Simply stated this learning model will help marketers to promote associations of products with strong drives and cues and positive reinforcements from the consumers.

iii. Psychoanalytical Model:

This model is based on the work of psychologists who were concerned with personality. They were of the view that human needs and motives operated at the conscious as well as at the subconscious levels. This theory was developed by Sigmund Freud. According to him human behaviour (personality) is the outcome of (a) 'id' – the source of all psychic energy which drives to act, (b) 'super ego' – the internal representation of what is approved by the society, (c) 'ego' – the conscious directing 'id' impulses to find gratification in a socially accepted manner. Thus, we can say that human behaviour is directed by a complex set of deep-seated motives.

From the marketing point of view this means that buyers will be influenced by symbolic factors in buying a product. Motivational research has been involved in investigating motives of consumer behaviour so as to develop suitable marketing implications accordingly. Marketers have been using this approach to generate ideas for developing products – design, features, advertising and other promotional techniques.

iv. The Sociological Model:

According to this model the individual buyer is a part of the institution called society. Since he is living in a society, he gets influenced by it and in turn also influences it in its path of development. He is playing many roles as a part of various formal and informal associations or organisations such as a family member, as an employee of a firm, as a member of a professional forum and as an active member of an informal cultural organisation. Such interactions leave some impressions on him and may play a role in influencing his buying behaviour.

Intimate groups of family, friends and close colleagues can exercise a strong influence on the lifestyle and the buying behaviour of an individual member. The peer group plays a very important role in acting as an influencing factor especially in adopting particular lifestyles and buying behaviour patterns. The group generally has an informal opinion leader, whose views are respected by the group. This leader is able to influence the individual member's lifestyle and buying decisions.

Similarly, depending on the income, occupation and place of residence etc., each individual member is recognised as belonging to a certain social class. As a member of a particular class, he may enjoy certain status and prestige. Further, each class has its own standards of lifestyle and buying behaviour pattern. So an individual member will adopt the role suitable to conform to the style and behavioural pattern of the social class to which he/she belongs.

The marketers, through a process of market segmentation can work out on the common behaviour patterns of a specific class and group of buyers and try to influence their buying pattern.

2. Contemporary Models:

With the evolution of the consumer behaviour study, newer approaches were used to understand what influences consumer behaviour. These were said to be contemporary models.

These contemporary models or views differed from the earlier models mainly because they focused on the decision process adopted by consumers and borrowed concepts from behavioural sciences. Some of these models have been discussed hereunder.

i. The Howard Sheth Model of Buying Behaviour:

The Howard-Sheth model provides an integrating framework for a very sophisticated comprehensive theory of consumer behaviour. The model tries to represent the rational brand choice behaviour by buyers when faced with situations involving incomplete information and limited abilities.

The model refers to three levels of decision making:

a. Extensive Problem Solving:

The initial stages of decision making are when the buyer has little information about brands and has not yet developed a well-defined and structured criteria to make a selection from the various products (choice criteria).

b. Limited Problem Solving:

In a slightly more advanced stage choice criteria which is well defined but the buyer is not clear and undecided on the set of brands which will best serve him. In this situation, the consumer is uncertain on the 'best brand' which will suit him (or her).

c. Routinized Response Behaviour:

The stage when buyers have well defined choice criteria along with strong predispositions towards one brand. In such a situation, there is hardly any confusion in the consumer's mind and he is ready to purchase a particular brand with little evaluation of alternatives.

The model has borrowed the learning theory concepts to explain brand choice behaviour when learning takes place as the buyer moves from Extensive Problem Solving to Routinized Problem Solving behaviour.

ii. The Nicosia Model:

In the past few years marketing scholars have built buyer behaviour models taking the marketing man's point of view. The Nicosia model is one such buyer behaviour model. It is also said to be a systems model, because the human being is analysed as a system, with stimuli as the input to the system and the human behaviour as an output of the system.

This model was developed by Francesco Nicosia, an expert in consumer motivation and behaviour. Nicosia was one of the pioneers, who attempted to bring into focus the more complex decision process undertaken by consumers rather than the act of purchase itself. The Nicosia model tries to explain buyer behaviour by establishing a link between the organisation and its (prospective) consumer.

The model suggests that messages from the first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur.

The Nicosia model, groups the above activity explanations into four basic areas:

1. Field one has two sub areas – The consumers attribute and the firm's attributes. The advertising message sent from the company will reach the consumer's attributes. Depending on the way the message is received by the consumer, a certain attribute may develop. This newly developed attribute becomes the input for Area two.

2. The second area or area two- is related to the search and evaluation, undertaken by the consumer, of the advertised product and also to verify if other alternatives are available. In case the above step results in a motivation to buy the product/service, it becomes the input for the third area.

3. The third area explains how the consumer actually buys the product.

4. And area four is related to the uses of the purchased items. This fourth area can also be used as an output to receive feedback on sales results by the organization.

Evaluation of the Model and its Limitations:

The model can be said to be the pioneering efforts by Nicosia to identify the decision making process carried out by consumers. It is noteworthy to observe that the model has viewed

consumers to be involved in an active role and that they move from general product knowledge towards specific brand information (knowledge), while being involved in a purchase behaviour.

However the model is said to have certain limitations. To mention a few-

Firstly, the flow is not complete and does not mention the various factors internal to the consumer.

Secondly, the assumption about the consumer being involved in the decision process with no predispositions about the various brands (or firms involved) is restricting.

And thirdly, the firm's attributes and consumer attributes mentioned in the model seem to be overlapping.

In Spite of the limitations, the model can be said to be a pioneering effort on the part of Nicosia to influence those who are involved in trying to understand consumer behaviour.

iii. The Engel – Kollat – Blackwell Model:

This model talks of consumer behaviour as a decision making process in the form of five steps (activities) which occur over a period of time.

iv. Engel, Blackwell and Miniard (EBM) Model:

This model is a development of the original Engel, Kollat and Blackwell model first introduced in 1968. It shares certain things with the Howard-Sheth model. Both have similar scope and have the same level of complexity. Primarily the core of the EBM model is a decision process, which is augmented with inputs from information processing and other influencing factors also.

v. Webster and Wind Model of Organisational Buying Behaviour:

This is a complex model developed by F.E. Webster and Y. Wind, as an attempt to explain the multifaceted nature of organisational buying behaviour. This model refers to the environmental, organisational, interpersonal and individual buying determinants, which influence the organisational buyer(s). These determinants influence both the individual and group decision making processes and consequently the final buying decisions.

The environmental determinants comprise of the physical and technological factors, economic, political, legal and socio cultural environmental factors. These are external factors which cannot be controlled, but an understanding of the same may be crucial to succeed.

The organisational determinant is based on Harold Leavitt's four elements of buying organisation namely-people, technology, structure and task. This is seen in 'Buying Centre', mentioned. The buying concepts emphasise the fact that a number of people participate in the

buying decision process including individuals and groups from the various functional areas in the organisation.

An individual may be involved in one or more buying roles during organisational buying these roles could be of:

(a) Users- The ultimate users who often initiate the buying process and help in defining specifications.

(b) Influencers- They may or may not be directly connected with the decision, but their views or judgments of a product or a supplier carry a lot of weightage.

(c) Buyers- People who negotiate the purchase.

(d) Deciders- People who take the actual/decision (they may be formal or informal decision makers).

(e) Gatekeeper- The person who regulates the flow of information.

This model is a valuable contribution and helps in revealing the whole range of direct and indirect influences, which affect the organisational buying behaviour. However, the limitation is that this model provides only a static representation of a dynamic situation.

vi. The Sheth Model of Industrial Buying:

This model concentrates on the purchasing process and highlights the importance of four main factors:

I The expectations of the individuals making up the DMU (Decision Making Unit).

II. The characteristics of both the product and the organization.

III. The nature of the decision making process.

IV. The situational variables.

7.5.2 Models of Consumer Behaviour – 4 Important Models: Marshallian Model, Freud's Model, Pavlovian Model and Howard-Sheth Model

The models which help in the understanding of consumer behaviour are:

1. Marshallian Model.

2. Freud's Model.

3. Pavlovian Model

4. Howard-Sheth Model.

1. Marshallian Model:

This model is based on the assumption that consumers have complete knowledge of their wants and of all available means to satisfy them. This model is based on the law of diminishing marginal utility. This model states that expenditures vary directly with income (price effect); lesser the price of the substitute product, lesser will be the utility of the product first bought (substitution effect); and more quantity will be purchased when a person's income is increased (income effect).

The main criticism of this model is that it assumes the homogeneity of the market and similarity of buyer behaviour. It ignores the aspects such as motivation, perception, learning, attitude and socio-cultural factors.

2. Freud's Model:

Based on his psychoanalytic theory of personality, Freud proposed that the human personality consists of three interacting systems – the id, the superego and the ego.

The id is conceptualised as primitive and impulsive drives such as – thirst hunger and sex. The superego is conceptualised as the individual's internal expression of society's moral ethical code of conduct. The ego attempts to balance the impulsive demands of the id and the socio-cultural constraints of the superego.

Researchers who apply Freud's theory to the study of consumer personality that human drives are largely unconscious and the consumers are primarily unaware of their true reasons for their buying behaviour. In other words, they consider the consumer's appearance and possessions (e.g., clothing, jewellery, shoes and so forth) as reflections of the individual's personality.

3. Pavlovian Model:

This model is named after the Russian physiologist Ivan Pavlov. In his experiments, Pavlov sounded a bell and then immediately applied a meat paste to the dogs' tongues, which caused them to salivate.

The dogs associated the bell sound (the conditioned stimulus) with the meat paste (the unconditioned stimulus) and, after a number of pairings, gave the same unconditioned response (salivation) to the bell alone as they did to the meat paste.

In a consumer behaviour context, an unconditional stimulus might consist of a well- known brand symbol (such as – the Microsoft Windows software programme) which implies technological superiority and trouble-free operation (the unconditional response).

4. Howard-Sheth Model:

In this model four sets of variables are deemed to determine consumer behaviour.
They are:

i. Stimulus – Input variables which are provided by three types of stimuli namely (a) significative stimuli (e.g., physical tangible characteristics of a product) (b) symbolic stimuli (e.g., a person's perception of product's characteristics) and (c) social stimuli (Provided by family, friends, social groups etc.).

ii. Internal variables that together show the state of the buyer (buyer's motives, attitudes, experiences, perceptions etc.)

iii. Exogenous variables that affect the buyer indirectly (these include social class, culture, time pressure and financial status of the buyer).

Response-output variables in terms of buyer's behaviour based upon interaction of the first three sets of variables.

All the four variables are linked in a very systematic and logical manner. Much of consumer behaviour is repetitive. Consumers tend to store information in their memory, and establish a routine in their decision process.

7.5.3 Models of Consumer Behaviour – 4 Main Models: The Economic Model, The Learning Model, The Psychoanalytic Model and The Sociological Model

The influence of the various social sciences such as economics, psychology, sociology and anthropology has promoted marketing experts to propound certain models for explaining buyer's behaviour.

Broadly, they include:

1. The economic model,

2. The learning model,

3. The psychoanalytic model, and

4. The sociological model.

1. The Economic Model:

According to the economic model of buyer behaviour, the buyer is a rational man and his buying decisions are totally governed by the concept of utility. If he has a certain amount of purchasing power, a set of needs to be met and a set of products to choose from, he will allocate this amount over the set of products in a very rational manner with the intention of maximizing the utility or benefits.

2. The Learning Model:

According to the learning model, which takes its cue from the Pavlovian stimulus – response theory, buyer behaviour can be influenced by manipulating the drives, stimuli and responses of the buyer. The model rests on man's ability at learning, forgetting and discriminating.

3. The Psychoanalytical Model:

The psychoanalytical model draws mainly from Freudian Psychology. According to this model, the individual consumer has a complex set of deep seated motives that drive him towards certain buying decisions. The buyer has a private world with all his hidden fears, suppressed desires and totally subjective longings. His buying action can be influenced by appealing to these desires and longings.

4. The Sociological Model:

According to the sociological model, the individual buyer is influenced by society – by intimate groups as well as social classes. His buying decisions are not totally governed by utility, he has a desire to emulate, follow and fit in with his immediate environment. And, several of his buying decisions may be governed by societal compulsions.

The 'inputs' (stimuli) that the consumer receives from his or her environment are:

i) Significative – the real (physical) aspects of the product or service (which the company make use of)

ii) Symbolic – the ideas or images attached by the supplier (for example by advertising)

iii) Social – the ideas or images attached to the product or services by 'society' (for example, by reference groups).

The 'outputs' are what happens, the consumer's actions, as observable results of the input stimuli. Between inputs and outputs are the 'constructs', the processes which the consumer goes through to decide upon his or her actions.

These can be grouped into two areas:

a) Perceptual – those concerned with obtaining and handling information about the product or service.

b) Learning – the processes of learning that lead to the decision itself.

In the domain of evolutionary economics, consumers are seen as active agents following rules of behaviour, fairly easy to follow and implement because they require only a limited amount of information and capability of elaboration.

7.6 Summary

- Customer behaviour modeling identifies behaviours among groups of customers to predict how similar customers will behave under similar circumstances.

- Customer Behaviour Modeling is defined as the creation of a mathematical construct to represent the common behaviours observed among particular groups of customers in order to predict how similar customers will behave under similar circumstances.
- Many customer behaviour models are based on an analysis of Recency, Frequency and Monetary Value (RFM).

- Optimove introduces customer behaviour modeling methods which are far more advanced and effective than conventional methods.

- It is very important for a company to know and understand the consumers' response towards different product features, prices and advertising appeals, as well as their effect on the product getting a competitive edge over the other products.

- The early or traditional models were developed by economists with a view to understand economic systems.

- With the evolution of the consumer behaviour study, newer approaches were used to understand what influences consumer behaviour. These were said to be contemporary models.
- The Howard-Sheth model provides an integrating framework for a very sophisticated comprehensive theory of consumer behaviour.

7.7 Self-Assessment Questions

- Discuss the concept of Customer Behaviour Modeling.
- What are the various difficulties of customer behaviour modeling?
- Write a short note on Customer Behaviour Analysis.
- Discuss the various Consumer Behaviour Models in detail.
- Discuss briefly on the various models:
  1. Marshallian Model.
  2. Freud's Model.

3. Pavlovian Model

4. Howard-Sheth Model

- **Explain the concept of The Sociological Model.**

7.8 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition, New Delhi.
- Loudon, D.L & Delta Bitta, A.J, Consumer Behaviour, Tata McGraw Hill, New Delhi.
- Aggarwal, ManqJ K.; Burger, Philip C.; and Reid, David A. "Readings in Industrial Marketing,"' Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1986.
- Alexander, Ralph., Cross, James, and Hill, Richard M. "Industrial Marketing," 3rd ed. (Illinois: Homewood Irwin, 1963).
- Ames, Charles B., and Hlavacek, James D. "Managerial Marketing for Industrial Firms" (New York. Random House Business Division, 1984), pp. 247-265.
- Choffray, Jean-Maris; and Lilien, Gary- L. "Market Planning for New Industrial Products", John Wiley & Sons, New York, 1980.

UNIT 8 RECENT DEVELOPMENTS IN MODELLING BUYER BEHAVIOUR

Unit Structure

8.0 Unit Objectives

This unit helps us in understanding the recent developments in modelling buyer behaviour

8.1 Recent Developments in "Consumer Behaviour" Cognitive or behavioural determinants of consumer behaviour, the contribution of affect and cognition into attitude formation, consumer choice under rational or experiential processing of framed options, the effect of prior knowledge on persuasion process and estimation of planned behaviours are some prominent research areas in person focused consumer research area.

On the other hand, the latter approach mainly **concentrates on social context** and shifts between social and individual levels of consumer behaviour.

This approach relies on sociological content and aims to link individuals' buying processes with social norms, collective attitudes and institutional choice. Moreover, the community focused approach also examines distinctions and similarities between organizational and individual buyers. Finally, customer experience field which is defined as "customers' perceptions — both conscious and subconscious — of their relationship with brand resulting from all their interactions with brand during the life cycle (SAS, 2017)" can be taxonomized into a social perspective of consumer research.

8.1.1 Behaviourist Perspective on Purchase and Consumption

Although cognitive determinants of consumer behaviour have been studied extensively for the last few decades, the outer world's pressure on individuals' choices also turns situational analysis, namely behavioural perspective, as an important topic in the quest of identifying consumer's choice. Influence of situations on consumer behaviour can be derived from operant behaviourism. (Watson & Rayner, 1920), (Pavlov, 1927),(B. F. Skinner, 1953; B.F. Skinner, 1974) studies could cite as pioneering works in Physiology that formalize operant bounded behaviour theory and through that way influence of situations on behaviour.

On the other hand, looking into Consumer Behaviour discipline in his (Foxall, 1992) and (Foxall, 1993) studies, Foxall has extensively examined behaviourist perspective of

consumption via Behavioural Perspective Model (BPM). The BPM model of purchase and consumption keeps two assumptions of operant behaviouralism;

(1) The frequency with which behaviour is performed is a function of the consequences of such behaviour

(2) Determinants of behaviour must, therefore, be sought in the environment rather than within individuals.

Although radical behaviorists maintain that all determinants of behaviour are environmental rather than intrapersonal, the BPM concludes only some important influences which are externally based. This conclusion leads to the first independent variable of the model, the continuum of closed-open behaviour settings, while the model's dependent variable is rate of consumer response. Secondly, the model also assumes that reinforcement (persuasion attempts) has an informational as well as an hedonic influence on the rate of responding. In addition, Persuasion Knowledge Model (PKM), which we will visit in the following sections, also purposes people's personal knowledge about persuasion agents, goals and tactics and about how to skillfully cope with these is important in people's responses to the persuasion attempts (Marian Freistad, 1994). Bifurcation of reinforcement as hedonic and informational context incorporates in the BMP as second independent variable.

The BPM explains the rate of responding (consumer situation) according to discriminative stimuli inherent in behaviour (relatively closed or open) settings and, informational reinforcement (relatively high) plus hedonic reinforcement. Consumer situations can be defined in terms of one or together of eight contingency categories arising from possible combinations of these setting types. Four of them "Accomplishment", "Pleasure", "Accumulation" and "Maintenance" are illustrated according to their defining characteristics in the figure below.
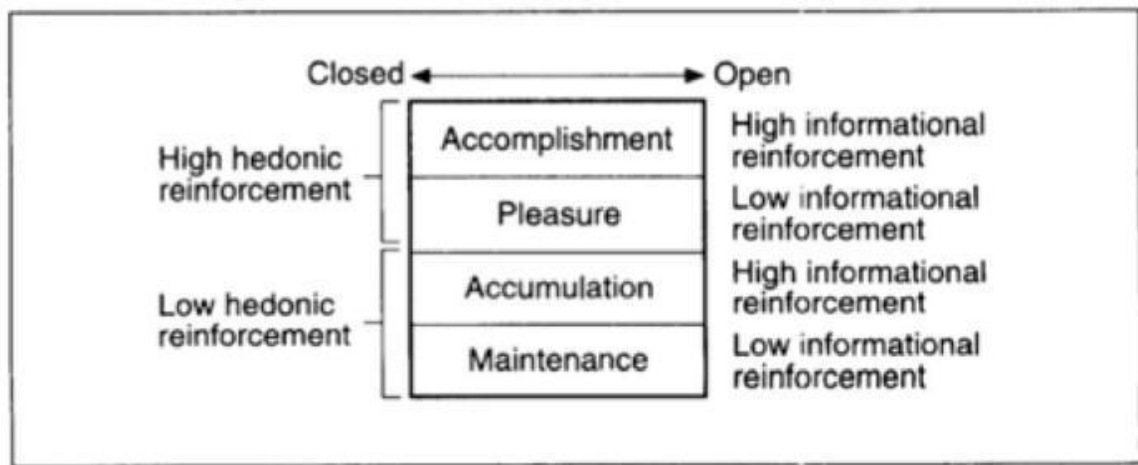
While a typical behaviour pattern related to accomplishment found in a relatively open setting, associated with both high informational and hedonic reinforcement. In the absence of informational reinforcement while high hedonic reinforcement remains high, Pleasure patterns can be found.

On the other hand, maintenance behaviour reflects low levels of both informational and hedonic reinforcement in a closed setting. As it can be seen from these examples the BPM model has a remarkable potential to describe different forms of consumer behaviour in consistent terms. However, BPM only deals with contingency

8.1.2 Persuasion Knowledge Model

As we saw in the previous section, reinforcement (persuasion) is one of the base dimensions in the identification of behaviour patterns. Persuasion can be defined as the process by which attitude change is brought about, usually by the presentation of the message containing arguments in favour or against the person, object, or issue which the attitude applies (Colman, 2016). Customers face a persuasion process through sales presentations and advertising.

As (Friestad & Wright, 1994) noted, over time customers develop personal knowledge on the tactics used during persuasion attempts and this knowledge helps them to respond to these

persuasion attempts so as to achieve their own goals. Although persuasion research extensively analyzes the effect of persuasion on consumer choices, individuals' knowledge on persuasion attempts is relatively neglected in the literature. However, it is unrealistic to assume such type of knowledge is inactive during persuasion episodes.

To fill this gap in theory, in their seminal paper (Friestad & Wright, 1994) introduced the "Persuasion Knowledge Model (PKM)" which focuses on how customers engage their knowledge on persuasion attempts to interpret and respond to influence attempts from marketers and others. They point out that consumers have knowledge about persuasion and most of this knowledge is about how to respond or cope with others' attempts to persuade. According to PKM, target (customer) has three distinct types of knowledge during a persuasion episode,

(a) Topic Knowledge (Beliefs about the topic of message)

(b) Persuasion Knowledge

(c.) Agent (Marketers) Knowledge (Beliefs about the goals of persuasion agent)

The target uses these three knowledge while coping with the persuasion attempt. Here, coping does not mean resisting a persuasion attempt, it simply means maintaining control over the outcome(s) and thereby achieving whatever mix of goals is salient for them. More specifically, persuasion coping knowledge enables customers to recognize, interpret and evaluate persuasion attempts and select appropriate coping tactics which are in-line with their plan.

The content of persuasion knowledge includes, one's beliefs about psychological mediators, marketer's tactics, his/her own coping tactics, the effectiveness and appropriateness of marketers' tactics. In summary, persuasion knowledge is a set of interrelated beliefs. These beliefs evolve due to various persuasion episodes that one encounters since he/she was a child and in line with the change of meaning principle consumer's response to the persuasion attempts altered continuously as the confrontations with these attempts proceeds.

Unless it's comprehensive information processing structure and the dynamic perceptual context summarized above, the PKM hasn't been addressed to empirical studies widely and there is a wide gap in applications of the model. Moreover, an intensive examination of the PKM model could offer a great basis for gaining added insight about many research areas in consumer behaviour and social influence disciplines.

In short, the content of three knowledge types emerges during persuasion episodes (Topic, Persuasion and Agent Knowledges) and their formation continuum offers a generous and distinctive data source for researchers willing to work on persuasion fields.

8.1.3 Affect and Cognition in Attitude Formation

After discussing information gathering and processing in persuasion episodes, now we can move into the connection between **attitude formation and persuasion**. (Edwards, 1990) proposed that the relative contribution of affect and cognition to attitude's formation may be associated with particular motivational pressures. In this context, he constituted the hypothesis stating that sequence of affect and cognition in an attitude formation is an important determinant of its subsequent resistance to the affective and cognitive means of persuasion.

To be more specific first, we must define the concepts of affect and cognition in the attitude formation field. (McGuire, 1969) the study stated that, the affective component of attitudes includes emotions, feelings or drives related with an attitude object. The cognitive component on the other hand contains beliefs, judgements or thoughts associated with an attitude object. However, it is unlikely that we ever observe pure affect-based or pure cognition-based attitude formation.

(Edwards, 1990) conducted two experiments to test if affective and cognitive means of persuasion are differently effective whether on affect (emotions and feelings) in an attitude's formation and is the primacy of the affect during attitude acquisition predictive of attitudinal conviction?

The experiments showed that when affect (emotions) precedes cognition (beliefs) in attitude formation, an attitude would be more vulnerable to affective means of persuasion than cognitive means of persuasion. And, an attitude will be expressed with greater confidence when effect is primary or dominant in its acquisition. As cognition based attitudes are less related to oneself than affect based ones, it's evident that this kind of exogenous motivational pressures which generally have their roots in social norms are less reflective of the self.

8.1.4 Making Decisions: Rational versus Experiential Process

In marketplaces customers often encounter framed scenarios for optional features, this can be considered as a different kind of motivational influence to force customers on upselling during the purchasing process. Cognitive-experiential self-theory proposed by (Epstein, 2012) states that people operate using two separate systems of information processing, the analytical-rational and intuitive-experiential. While the analytical system is slow and logical, the intuitive one is fast and automatic.

While there is an emerging literature in the domain of rational versus experiential decision making, (Dipayan Biswas, 2009) preferred to examine a less studied context. He researched how these two processing modes influence decision making under option framing settings. Option framing is a distinct type of framing which presents optional product features to the consumer in "add" and "delete" modes. Although prior studies (D Biswas & Grau, 2008), (Levin, Schreiber, Lauria, & Gaeth, 2002) and (Park, Jun, & MacInns, 2000) on option framing have found that people usually stops at a point with higher number of options when a "delete" frame is applied instead of an "add" frame. This phenomenon can be explained with the help of a loss aversion model. To extend this discussion to rational vs experiential processing mode context, (Dipayan Biswas, 2009) set two studies.

First, studies confirmed the theoretical framework and consumers ended up with higher options in the "delete" then "add" frame. Moreover, studies contributing to the literature showed that the effects got magnified when decisions were made in an experiential mode and got diminished in rational mode. These findings are relatively in line with findings of affect vs. cognition study which we examined in the previous section. Again, the experiential (emotion related) mode presented an elevated level of effects, while the rational (cognitive)

one reflected a diminishing effect. In regard to these two studies we can say that although humans may still be named as rational creatures (Homo-Economics) that created a highly cognitive modern society, feelings and emotions still have a vital place in the formation of attitudes. Especially in the existence of external motivational stimuli.

8.1.5 Attitude — Behaviour Relation in Consumer Conduct

Until now we especially reviewed studies dealing effects of contingent or sensory stimuli on humans' neural activity in the consumer behaviour domain. In contrast, the Theory of Planned Behaviour (TPB) (Ajzen, 1985) which aims to predict the level of intention to buy is a well conceptualised psychological theory with constructs like self-reported consumer behaviour, norms and self-identity. TPB's central premise is that behavioural decisions (intention to buy in our context) are not made spontaneously but are the result of a reasoned process in which behaviour is influenced. TPB purposes attitude, subjective norms and perceived behavioural control are the primary determinants of the behaviour.

(Smith et al., 2008) study aims to extend the original TPB model by adding constructs of self-identity and unbinding the normative construct that exists in the original model into injunctive and descriptive norms. They also tested original construct self-reported past behaviour, individual's perception on control of his own behaviours (PBC) on buying intentions towards a soft-drink data. Results of the study showed that only the PBC component was not a significant predictor. Both original variables like past-behaviour, normative values and both newly proposed self-identity variables showed a significant effect on buying intentions.

Beside predictive significance, validation of bifurcation in the normative variable was one of two contributions of (Smith et al., 2008) study. Results proved both norms related to "the norm of is" (descriptive) and "the norm of ought" (injunctive) showed they are valid in prediction distinctively. Moreover, consumer's self-identity "I consider myself a typical buyer of my preferred soft drink" also arose as a good predictor of buying intentions.

8.1.6 Distinction Between Organizational Buyer and Consumer

(Wilson, 2000) study discussed the distinction between consumer and organizational buyer behaviour domains, and investigated if it is possible to reach an integrated classification of buyer behaviour. In his study, he opposed an organization conceptualization as a fully rational mechanism and remarked that organizational purchasing behaviour is not rational as it is reflected in literature. Moreover, he defined organization as a group of individuals lending support to lose hierocracy of objectives. And he alleged that they will have the same motive with individuals buying behaviour.

Until now the consumer behaviour domain mainly limited itself at the individual level. Although there are some works which made some inferences on societies consumption based on the collective behaviour of customers, still we haven't got enough empirical works that integrate if the difference between organizational buyer and consumer behaviour is indistinctive or not. To unite these two frameworks, scholars need to test every theory constituted on the consumer buying process since 1960.

Nevertheless, as we experienced from the literature reviewed in this piece human emotions have a dominant role on buying behaviours, noting it also consists of a group of individuals, it's ultimately questionable that organizational buyer would be implemented to current theories describing consumer behaviour. So for now, as it is also suggested by (Wilson, 2000) it's better to keep distinction, until studies testing a possible unification between two domains become more mature.

8.1.7 Towards a Sociology of Consumption

Since Consumer research has emerged as an independent research area, it mainly focused on the decision process of individual customers. However, as Aristotle stated circa 2300 years ago "Humans are by nature social animals…" inevitably, to a certain degree, individuals' buying process should rely on social context.

Although they remained at a relatively low level, compared to works on individual's buying process, first studies on "society's consumption" commenced by the second half of the 60s. In their study which took a leading part in this field, (Glock & Nicosia, 1964) created a taxonomy on the distinction between consumer behaviour and consumption behaviour. In this

sense consumption behaviour is defined as the parallel of consumer behaviour at the individual level. They also outlined particular macro indicators like sales figures, sectoral production figures and gross national product to follow consumption behaviour of society in a given period. Furthermore, Glock & Nicosia also pointed out that macro indicators are unable to reflect real turning points in consumer trends, and sociologists are needed to fill the gaps by collecting the fundamental data related to the effect of social factors on consumption behaviour.

However, as there were around fifty years until the launching of search volume data like "Google Trends' ' and public opinion survey methodology was in its infancy level, data shortage was the main obstacle in this research area. So, during the 60s and 70s, research on society's consumption behaviour persisted on theoretical grounds. Despite this challenge, theoretical publications kept widening the research area and (Nicosia & Mayer, 1976) work added a trend perspective to the literature by studying social processes underlying a society's consumption and revealed that these means could be employed as a tool to understand reasons for current consumer behaviours. Beside defining distinction between consumption behaviour and consumer behaviour they also defined some fragments of societies consumption, such as the cultural values, institution and consumption activities (buying, using, disposing). They believe dynamic nature of changes in cultural values and better identification of societies consumption activities, future research would be able to spot problems at individual consumers level by using societies consumption trends.

However, they built their assumptions according to the current virtue level which affluent societies reached after WWII, so generalisation of their propositions to emerging economies is still a blurred area. However, thanks to the rapid digitalisation era, spotting a society's attitudes would be easier compared to Nicosia and Mayer's research conditions in the 1970s.

8.1.8 Understanding Customer Experience: Throughout the Customer Journey

Until the 1990s the marketing domain was based on properties of the product and identification of the right customer who might decide to buy it. However, after the digital revolution the domain of services widened extensively while distribution channels diversified thanks to internet technologies. It was the presence of the service sector which broke the

buying-using-disposing pattern and established the presale, sale and after sale loop which allows continuous interaction between the customer and the firm. On the other hand, improvement in the digital communications area made it possible to watch what customers experience in any stage of this loop (customer journey).

In (Katherine N. Lemon, 2016) study authors aimed to develop a stronger understanding of customer experience and the customer experience in the era of increasingly complex customer behaviour. After reviewing pioneering works, they tried to define an outstanding definition to customer experience, as a result they defined customer experience as a multidimensional construct focusing on customer's cognitive, emotional, behavioural, sensorial and social response to a firm's offerings during the customer' entire purchase history.

Following the definition, they organized what is known as a result of 50 years of research in the customer experience area and drew guidelines for future research. No doubt, as the interaction period between consumer and the firm augments, firms will want to know more on consumers' conditions in every stage of the consumer journey. So, we can say that future practice will focus on detecting and interpreting cognitive and emotional roots of the customer behaviour in every stage of the customer journey.

8.2 Recent Developments in Modeling Buyer behaviour
- **Some Recent Models**

There are two of the recent models to illustrate the developments in consumer behaviour modeling. The first one is the Nicosia model which is along the consumer decision process focussing on the relationship between the marketing organization and its target consumers. Bettman's information processing model of consumer choice, on the other hand, focusses on the strategies that consumers adapt to operationalize the complex task of information processing.

8.2.1 Nicosia Model of Consumer Behaviour

Nicosia Model of Consumer Behaviour was developed in 1966, by Professor Francesco M. Nicosia, an expert in consumer motivation and behaviour. This model focuses on the relationship between the firm and its potential consumers. The model suggests that messages from the firm (advertisements) first influence the predisposition of the consumer towards the

product or service.   Based on the situation, the consumer will have a certain attitude towards the product.   This may result in a search for the product or evaluation of the product attributes by the consumer.   If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur. Looking at the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision.

The Nicosia model of Consumer Behaviour is divided into four major fields:

1. Field 1: The firm's attributes and the consumer's attributes. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of the target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product. In this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

2. Field 2: Search and evaluation. The consumer will start to search for other firm's brands and evaluate the firm's brand in comparison with alternate brands. In this case, the firm motivates the consumer to purchase its brands.

3. Field 3: The act of the purchase. The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

4. Field 4: Feedback of sales results. This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as feedback, and the consumer will use his experience with the product that affects the individual's attitude and predisposition concerning future messages from the firm.
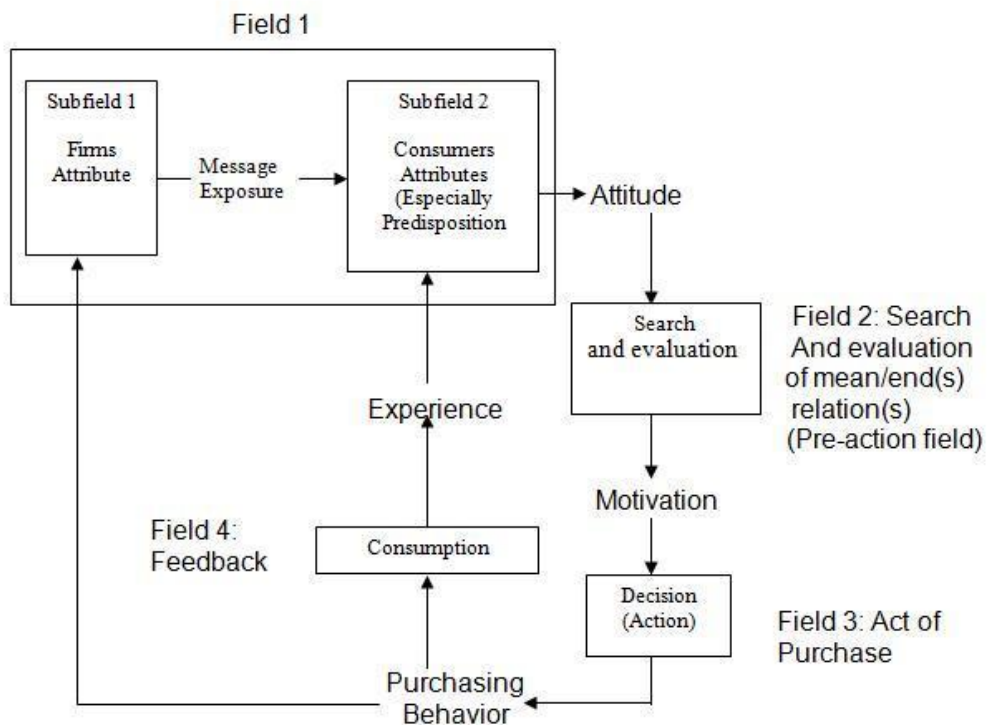
With this model, Nicosia was able to represent consumer's behaviour when receiving a message and having agents in the buying process generated by that flow of information from a company.

The Nicosia model of consumer behaviour offers no detailed explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

8.2.2 Bettman Information Processing Model of Consumer Choice

Bettman (1979) in his model describes the consumer as possessing a limited capacity for processing information. He implies that the consumers rarely analyze the complex alternatives in decision making and apply a very simple strategy.

In Bettman Information Processing Model, the consumer is portrayed as possessing a limited capacity for processing information. When faced with a choice, the consumer rarely undertakes very complex analyses of available alternatives. Instead, the consumer typically employs simple decision strategies or heuristics. These simplifying decision rules assist the consumer in arriving at a choice by providing a means for sidestepping the overburdened task of assessing all the information available about all the alternatives.
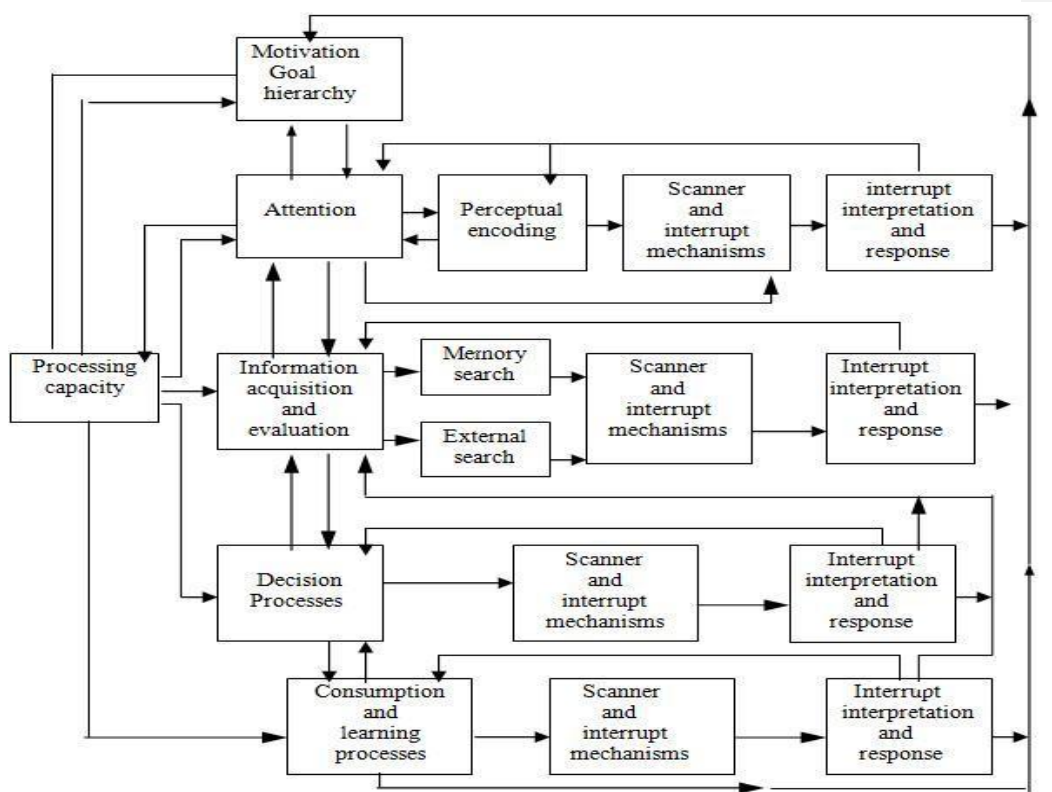
In Bettman Information Processing Model, there are seven major stages.

1. Processing Capacity: In this step, he assumes that the consumer has a limited capacity for processing information, consumers are not interested in complex computations and extensive information processing. To deal with this problem, consumers are likely to select choice strategies that make product selection an easy process.

2. Motivation: Motivation is located in the center of the Bettman Information Processing Model, which influences both the direction and the intensity of consumer choice for more information in deciding between the alternatives. Motivation is provided with a hierarchy of goals mechanism that provides a series of different sub-goals to simplify the choice selection. This mechanism suggests that the consumer's own experience in a specific area of the market

and he doesn't need to go through the same hierarchy every time to arrive at a decision, which makes this mechanism serve as an organizer for consumer efforts in making a choice. No concern was given on religious motives, and how religion may motivate the consumer in his decision. Most of the general theories of motivation such as Maslow's hierarchy of needs (1970) emphasize self-achievement, the need for power, and the need for affiliation.

3. Attention and Perceptual Encoding: The component of this step is quite related to the consumer's goal hierarchy. There are two types of attention; the first type is voluntary attention, which is a conscious allocation of processing capacity to current goals. The second is involuntary attention, which is an automatic response to disruptive events (e.g., newly acquired complex information). Both different types of attention influence how individuals proceed in reaching goals and making choices. The perceptual encoding accounts for the different steps that the consumer needs to perceive the stimuli and whether he needs more information.

4. Information Acquisition and Evaluation: If the consumer feels that the present information is inadequate, he will start to look for more information from external sources. The newly acquired information is evaluated and its suitability or usefulness is assessed. The consumer continues to acquire additional information until all relevant information has been secured, or until he finds that acquiring additional information is more costly in terms of time and money.

5. Memory: In this component, the consumer keeps all the information he collects, and it will be the first place to search when he needs to make a choice. If this information is not sufficient, no doubt he will start looking again for external sources.

6. Decision Process: This step in the Bettman Information Processing Model indicates that different types of choices are normally made associated with other factors, which may occur during the decision process. Specifically, this component deals with the application of heuristics or rules of thumb, which are applied in the selection and evaluation of a specific brand. These specific heuristics a consumer uses are influenced by both individual factors (e.g., personality differences) and situational factors (e.g., the urgency of the decision); thus it is unlikely that the same decision by the same consumer will apply in a different situation or another consumer in the same situation.

7. Consumption and Learning Process: In this stage, the model discusses the future results after the purchase is done. The consumer in this step will gain experience after evaluating the alternative. This experience provides the consumer with information to be applied to future choice situations. Bettman in his model emphasizes on the information processing and the

capacity of the consumer to analyze this information for decision making, but no explanation was given about the criteria by which the consumer accepts or refuses to process some specific information.

It Wasn't until the 1960s that Consumer Behaviour has become a central research area in the Marketing field. Consumer Behaviour discipline mainly deals with buying decisions, and the process leads to this conclusion for an individual consumer or identifiable group of customers. Theory tries to determine forces that influence consumers in making their final choice of brand and product, in a definite time, place and price.

We can refer two distinct approaches in consumer behaviour research; the first one mainly deals with buying process of an individual.

8.3 Summary

- Behavioural determinants of consumer behaviour, the contribution of affect and cognition into attitude formation, consumer choice under rational or experiential processing of framed options, the effect of prior knowledge on persuasion process and estimation of planned behaviour.
- There are two of the recent models to illustrate the developments in consumer behaviour modeling. The first one is the Nicosia model and the second is Bettman's information processing model.

- Nicosia model which is along the consumer decision process focussing on the relationship between the marketing organization and its target consumers.
- Bettman's information processing model of consumer choice, on the other hand, focusses on the strategies that consumers adapt to operationalize the complex task of information processing.

8.4 Self-Assessment Questions

- State the various Recent Developments in "Consumer Behaviour".
- Explain the Persuasion Knowledge Model.
- What is the connection between attitude formation and persuasion?

- State the distinction between Organizational Buyer and Consumer.
- Discuss the term Customer Experience in detail.
- Elucidate some recent models in Modeling Buyer behaviour.
- Discuss the seven major stages in Bettman Information Processing Model.

8.5 Suggested Readings

- Batra, Satish K and Kazmi, S H H, Consumer Behaviour, Excel Books, New Delhi.
- Hawkins, D.L & Best, Roger, Consumer Behaviour – Building Marketing Strategy, McGraw Hill, Indian Edition, New Delhi.
- Loudon, D.L & Delta Bitta, A.J, Consumer Behaviour, Tata McGraw Hill, New Delhi.
- Aggarwal, ManqJ K.; Burger, Philip C.; and Reid, David A. "Readings in Industrial Marketing,"' Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1986.
- Alexander, Ralph., Cross, James, and Hill, Richard M. "Industrial Marketing," 3rd ed. (Illinois: Homewood Irwin, 1963).
- Ames, Charles B., and Hlavacek, James D. "Managerial Marketing for Industrial Firms" (New York. Random House Business Division, 1984), pp. 247-265.
- Choffray, Jean-Maris; and Lilien, Gary- L. "Market Planning for New Industrial Products", John Wiley & Sons, New York, 1980.

BLOCK-03 Sales Management Functions

Under this block of Sales Management Functions, we will include following four units for our clear cut understanding of concepts. As far as description of units are concern, first unit will focus on basics of *sales management concept*, second unit will on *sales process and computer application in sales management*, third unit will on various sales skills and fourth unit will focus on Retail Communication.

UNIT-09   Introduction to Sales Management

1.0 Introduction

In the previous unit we have discussed the concept of buying and its detail process with its important workable models and important development in this field. This unit will present the detail concepts of sales management. Sales are the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It coordinates the resources of production and distribution of goods and services, and determines and directs the nature and scale of total efforts required to maximize sales. Sales Management is one of the significant concepts which consist of all the major components. It is a key ingredient in

marketing campaigns, that has a direct and instant inducement aimed at an

immediate increase in sales, consists of a collection of incen-tive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.. In a competitive market, sales management come bandy to a marketer in meeting the short-term sales requirements.

In this unit, will analyze the function concept of motivation, characteristic, goal and its importance, types, procedure, and impressive factors.

1.1 Objective

After studying this unit, you will be able to:-

- Understand the concept of sales management and sales organization,

- Analyze he task of sales organization and development of sales organization,

- Describe the duties and responsibilities of a sales manager and

- Understand the sales supervision and personal selling.

1.2 Concept of Sales Management

Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a firm's sales operations. It is an important business function as net sales through the sale of products and services and resulting profit drive most commercial business. These are also typically the goals and performance indicators of sales management. Thus sales management is the process of developing a sales force, coordinating sales operations, and implementing sales techniques that allow a business to consistently hit, and even surpass, its sales targets. Following are the objectives of sales management in an Indian business context:-

1. Revenue Generation – One of the main objectives of sales management is to generate revenue for the organization. The sales department is solely responsible to bring in the money.

2. Increased Sales Volume – Through efficient sales management, the organization wishes to increase the number of units sold. This subsequently will ensure that the production facilities do not remain idle and are utilized to the fullest

3. Sustained Profits – Sales management has an objective of improving the profits of the organization through effective planning, coordination and control. Sales management strives to increase the sales by reducing costs, which ensures good profits for the organization.

4. Organization Growth – With the sustained and continuous sales management techniques, the organization tends to gain market share and results in growth of the organization.

5. Market Leadership – With increased sales volumes and profits, 'sales management' enables an organization to become the market leader.

6. Converting Prospects to Customers – Getting prospects to become customers is an art and a science, it requires good planning and sustained efforts. This is accomplished through sales management.

7. Motivate the Sales Force – One of the core objectives of sales management is to motivate the sales force. Selling is a very stressful task, achieving sales targets can become very challenging. Therefore, the sales management task is to ensure that the sales force is continuously motivated through proper incentives and reward systems.

8. Compliment Marketing Activities – Sales management's task is to support the marketing functions of the organization. Marketing and sales need to go hand in hand to achieve the desired results. Sales volume, contribution to profits and growth are the three major objectives that sales function is expected to achieve. Though these are broad corporate functions to be achieved by the top management, sales contribute a great deal in

achieving them. Corporate objectives are communicated to the marketing department which in turn passes on the responsibility to the sales department. Sales provides invaluable feedback to the higher management while achieving these objectives.

After having the above discussion now we can say that, there are three "keys" to manage within the sales process: sales operation, sales strategy and sales analysis. The process will vary from business to business, especially as you work your way down the line, but operations, strategy and analysis are the three key focal points. Now the million dollar question is who benefits from sales management? The answer is every one because sales management in practice positively affects all stake holder involved in the sales cycle. There are three key stakeholders involved with the sales management process: the sales manager, salesperson, and customer.

The more mature the sales process is and the more the sales manager adapts and improves it over time, the more likely the sales team will achieve top performance. These following seven steps present the typical sales scenario as composed of the following: **(1) prospecting, (2) preapproach, (3) approach, (4) presentation, (5) overcoming objections, (6) close, and (7) follow-up**.

1.3 Sales Organization

Sales Force Decision is generally termed as the backbone of marketing. Brech (1992) defines it as "overall management of sales and it refers to only a socialized application of the process of Management as a whole." According to the American Marketing Association (2000) the "planning, direction and control of the personal selling activities of a business unit include recruiting, selecting, training, equipping, assigning, rating, supervising, paying and motivating as these tasks apply to the personal sales force." The ultimate objective of Sales Management is to influence the consumers of the target market to get sales orders. A sales force serves as a company's personal link to customers.

A-Functions of Sales Organization:-Following are the important functions of the Indian sales organization:-

1. Analyzing markets and sales policy.

2. Sales planning and sales forecasting

3. Deciding prices and terms of sales.

4. Selecting, training and controlling the sales force.

5. Deciding sales programmes and sales promotion.

6. Advising about advertising and publicity.

7. Deciding and allocating territory and setting targets.

8. Preparing and maintaining customers' records, etc.

9. Preparing sales reports.

B-Steps in Designing and Managing Sales Force

1, Setting of objectives

2.Training for sales policies

3.Designing sales force structure and size deciding sales

force compensation.

4.Recruiting and motivating sales force guiding and

motivating sales force performance rating of sales force.

C-Organizing and Managing a Sales Force

Sales force is regularly assigned particulars territories. Various factors are taken into account in deciding on the physical size of a territory, transportation links within territory, purchasing power of consumers and their educational and living standards.

Therefore, a sales force is deployed according to the geographical and product or consumer requirements. A company should also devote considerable effort in training and development of its sales force. There are two types of training which can be provided to sales force : (a) In –house training, and (b) on –the-job training. It is also necessary for a company to arrange periodic meetings and discussions with its Sales Force. Finally, the performance can be evaluated on the basis of targets and actual.

Organizing the sales force is a typical sales management task, since its has direct impact on the sales manager's job performance. The universal adoption of the marketing concept has meant that most companies have reorganized their sales and marketing activities to reflect the stronger commitment to their customers. This trend has enhanced the importance of Sales force organization.

1.4 Theories of Sales Management

A- Old Approach

Generally the selling theories emphasized 'What to do' and 'How to do' rather than 'Why to do'. The theories are based upon the practical and experimental knowledge accumulated from the years of " living in the market", rather than on a systematic, fundamental body of knowledge. The second or the new approach made use of the findings of the behavioural

sciences. Theories according to the new approach :

➢ AIDAS theory of selling – seller oriented

➢ 'Right set of the circumstances' Theory of Selling – Seller – oriented.

➢ 'Buying Formula' Theory of Selling – Buyer -oriented

➢ 'Behavioural Equation' theory – Buyers' decision process.

1.AIDAS Theory of Selling : In this theory AIDAS stands for

A - Attention
I - Interest
D - Desire
A - Action
S – Satisfaction

This theory tells about the consumer readiness stage. It is a psychological theory of selling which tells us about the consumer mind
– the stages through which the mind passes. These stages are attention, interest, desire, action and satisfaction. This theory tells about the fact that the salesman should make the consumer pass through these five stages so that the purchase should occur.

Phase – I – Securing Attention

➢ Get the appointment with the consumer
➢ Salesperson must show mental alertness and be a skilled conversationalist.
➢ He should establish a good rapport at once and should be a conversation opener.
➢ He should do his homework properly.
➢ Good conversation opener causes the prospect to relax and sets stage for the overall presentation.

Phase –II – Gaining Interest

This deals with the evolvement of the strong interest of the consumer in the product, to develop a contagious enthusiasm for the product and to give facts and figures about the product. There should be a strong selling appeal to make their interest in the product. There should be a strong selling appeal to make their interest in the product very effective. Also the attitudes and the feelings toward the product should be clarified. Sales – person must take all these into account in selecting the appeal to be emphasized.

Phase III –Kindling Desire

Here the interest of the consumer is to be converted into the desire for buying the product. The ways should be found to face and dispose of the sales obstacles, the consumer objections, external interruptions, digressive remarks, etc. The consumer should be satisfied in all respects and all of his doubts should be cleared.

Phase IV – Inducting Action

The perfect presentation results in the readiness of the consumer to buy the product. All this requires experience of the sales personnel as the buying is not automatic and it should not be closed until the sales persons are positive that the right time has come. Most prospects find it easier to shy away from the hints than from frank requests for an order.

After the purchase generally the customer passes through the state of mental cognitive dissonance in post – purchase anxiety. Now this is the job of the sales person to relieve him of this tension and convince him that him decision was correct. Building satisfaction means thanking the customer for the order and also to make the customer feel delighted and also to assure him of the promises made by the salesman.

2.'Right set of circumstances' Theory of Selling:- This theory is the 'situation response' theory which tells that everything was right for the sale. It also states that the skills of the sales persons have a lot of effect on the sales to take place. Also, if the sales persons have a lot of effect on the sales to take place. Also, if the sales person presents the proper stimuli or appeals, the desired response will result. This theory tells about two types of factors which constitute the set of circumstances. The factors are internal and external. This theory stresses the external factors at the expenses of the internal factors. This is a seller – oriented theory and stresses the importance of the sales persons in the process of selling of a product. The major drawbacks of this theory are : 1. It does not take care of the internal factors. 2. It fails to attach appropriate weight to the response side of the situation – response interaction.

3- 'Buying Formula' Theory of Selling

This theory is buyer –oriented theory. This is a psychological theory and takes care of the buyer – related problems and revolves round the buyer. This theory explains the cognition process which goes on in the mind of the buyer when he has to take the decision regarding to buy or not to buy. This theory has come through various stages of its development and thus has taken its present picture. When a buying habit is being established, the buyer must know why the product or service is an adequate solution to the need or problem, and why the trade name is the best one to buy.

This theory tells that :

1.The need should be created/ emphasized.

2.The relation between the need and the product or service should be emphasised.

3.The brand image should be created.

4. The need, product/ service and the trade name / brand image should be associated with each other.

5. The brand loyalty and the customer delight should be emphasized.

Need of Problem → **Product &/ or Service** → **Trade Name** → **Purchase**

Product &/ or Service → **Pleasant Feelings**

Trade Name → **Pleasant Feelings**

Purchase → **Satisfaction**
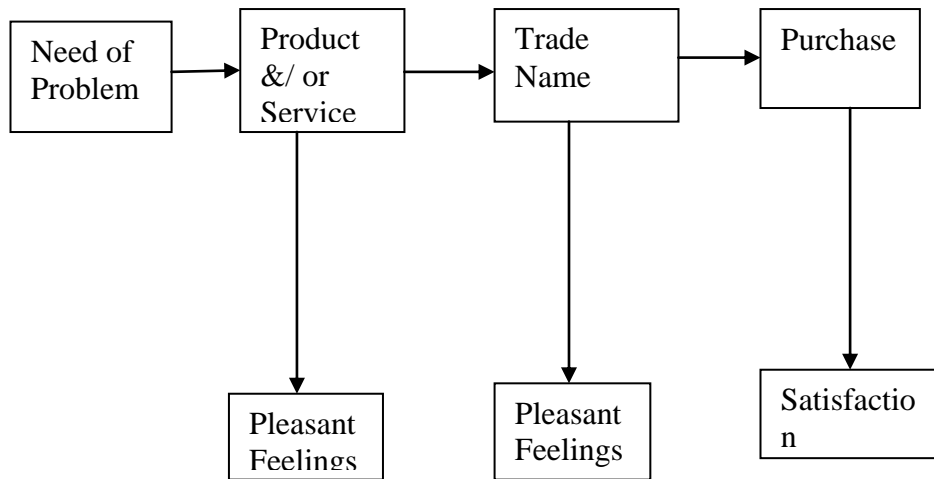
4. 'Behavioral Equation' Theory

This theory takes care of the buyer's decision making process and goes in the detail of the process at the micro / internal level. The buyer goes through various stages of learning process. The essential elements of the learning process are :

- Drive (Motivation)
- Cue
- Response
- Reinforcement

Drives are strong internal stimuli which impel the buyers' response. These drives are of two types, 1. Innate drives – psychological or biogenic drives and 2. Learned drives – social drives. Cues are the weak stimuli that determine when the buyer will respond. There are 2 types of cues :
1. Triggering cues – activate the decision process.
2. No triggering cues- influence but does not activate the decision process.

Reinforcement strengthens the buyer's tendencies to make a particular response. Hence this theory takes care of the behavioral aspects of the buyer and how it influences his decisions and his learning process. This also tells about the sales person's role in all this to make it happen and at the same time it reduces buyer dissonance.

1.5 Development of Sales Organization

Developing a Sales organization structure is not an easy task. The key to organizational design are consistency and coherence. The importance is highlighted as:

"Spans of control, degrees of job enlargement, forms of decentralization, planning systems and matrix structure should not be picked and chosen at random. Rather, they should be selected according to internally consistent groupings, and these groupings should be consistent with the situation of the organization – its age and size, the conditions of the industry in which it operates, and its production technology". This means that sales managers must recognize, and then deal with, some basic organizational issues when developing a sales organization. The five major issues are :

(1) Formal and informal organisations

Every organization has a formal organisation and an informal organisation. The formal organisation is the creation of management, whereas the informal organisation is often developed from the social organisation. Also called the grapevine, the informal organization is basically a communication pattern that emerges to facilitate the operation of the formal organisation.

Consider the case of a field salesperson who is responsible for collecting certain competitive information, such as prices and trade discounts. If this information were forwarded through the formal organization, the data would be outdated and would be useless to management. The informal communication system, however, allows the information to be transmitted directly to the director of marketing research. The figure on page 490 shows an informal communication pattern that might exist in a marketing organization.

(1) Lengthey Formal Communication Channel

The figure below shows a lengthey formal communication channel:

(2) Horizontal and Vertical Organisations:-
Sales force can have either horizontal or vertical organizational format. The arrangement varies among companies, even within the same industry. The factor that determines whether a vertical or horizontal organizational structure should be employed is the effective span of control. The span of control refers to the number of employees who report to the next higher level in the organization. The following

figures show the formats of vertical sales organization and horizontal sales organization.

Vertical Sales Organization
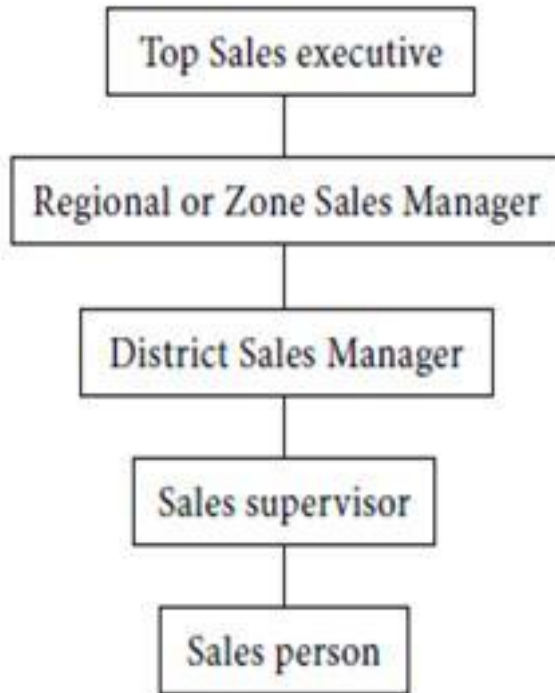
Horizontal Sales Organization
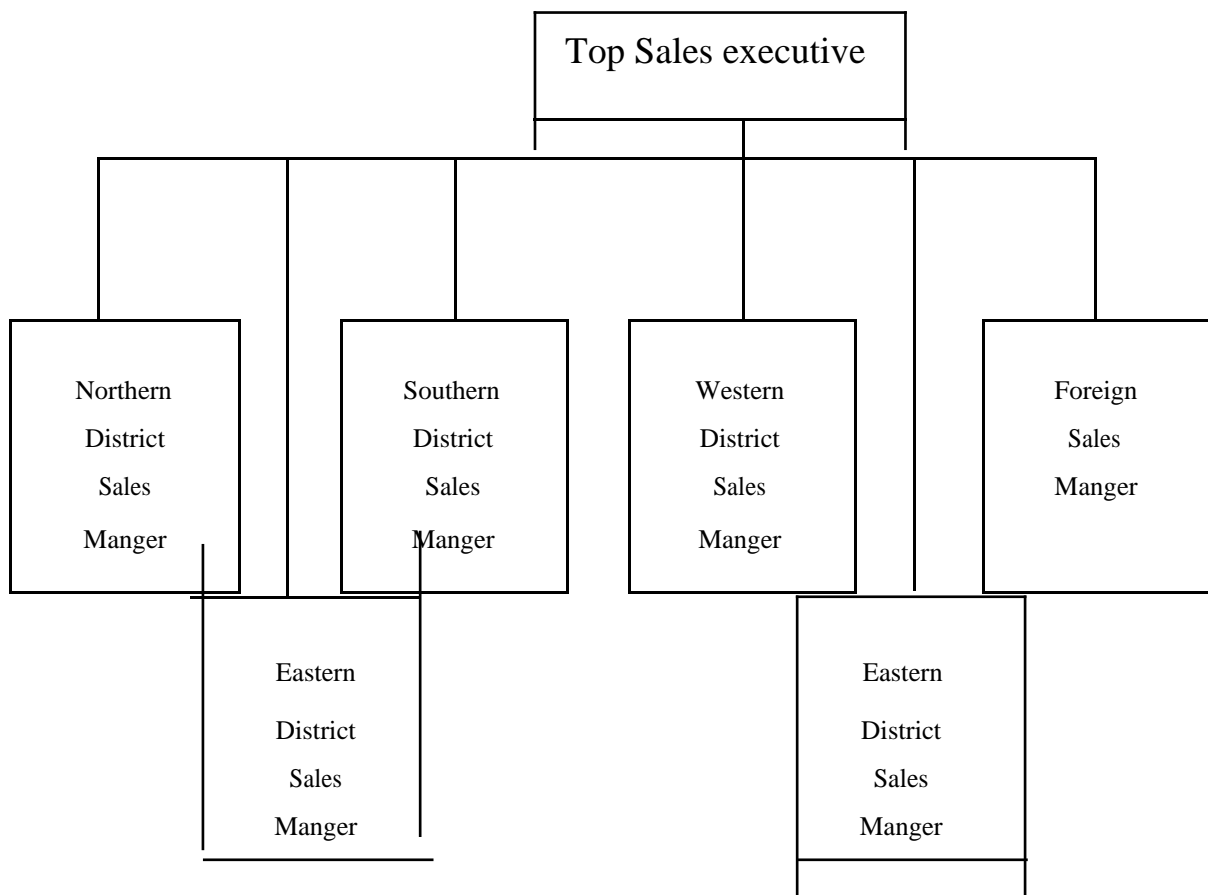
3. Centralized and decentralized organization

In a decentralized organization, responsibility and authority are delegated to lower levels of sales management. In a centralized sales organization, the responsibility and authority for decisions are concentrated at higher levels of management.

A related concern is the degree of centralization in the sales organization. This issue has to do with the organizational location of the responsibility and authority for specific management tasks.

A decentralized organization structure is ineffective unless commensurate responsibility and authority accompany the assignment of decision to a specific level of sales management.

2. **Line and Staff components**

Marketing organizations also feature line and staff components. A line function is a primary activity and staff function is a supporting activity. In a marketing organization, the selling function is the line component, whereas advertising, marketing research, marketing planning, sales training and distributor relations are usually considered staff roles.

The following figure and the figure on the next page show a' line marketing organization' and a 'line and staff marketing organization'.

A Line Marketing Organization

```
                    ┌─────────────────┐
                    │  Vice President  │
                    │    for Sales     │
                    └─────────────────┘
                             │
                    ┌─────────────────┐
                    │  General Sales   │
                    │     Manager      │
                    └─────────────────┘
                             │
        ┌────────────────────┼────────────────────┐
┌───────────────┐   ┌───────────────┐   ┌───────────────┐
│   Regional    │   │   Regional    │   │   Regional    │
│ Sales Manager │   │ Sales Manager │   │ Sales Manager │
│       A       │   │       B       │   │       C       │
└───────────────┘   └───────────────┘   └───────────────┘
```
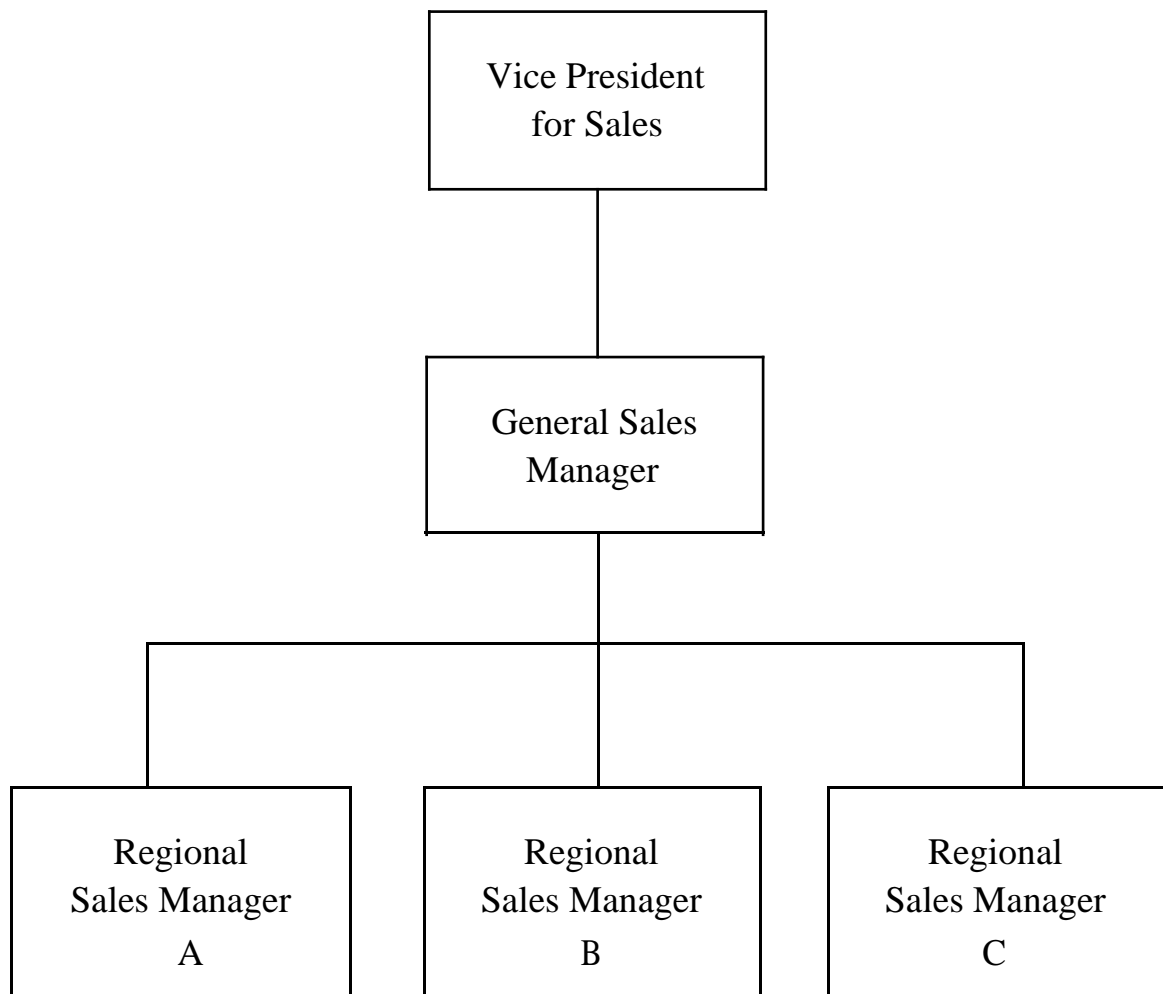
Motivating and Leading the Sales Force

There are several rules which help a sales manager in developing sales force through motivation and leadership. Let's discuss one by one :-

Rule 1

Work with sales team and not as members of groups. To achieve this, do the following :

❖ Know your sales force personally

- ❖ Give extra time for discussion and personal problem solving.

- ❖ Do proper home work on sales assignments, be clear to the point of a fault, avoiding personal affront.

- ❖ Explain your reason for change in territory and product likings. Change is always for the better.

- ❖ Learn from your sales force about their hopes, aspirations, abilities and self worth.

Line And Staff Marketing Organization

```
┌──────────────────┐              ┌──────────────────────┐
│ Vice President    │──────────────│ Assistant to the vice│
│                   │              │ President for        │
│                   │              │ marketing            │
└──────────────────┘              └──────────────────────┘
        │
   ┌────┴──────────────────────────────┐
   │                                    │
┌──────────────────┐          ┌──────────────────┐
│ Marketing Research│          │   Advertising    │
└──────────────────┘          └──────────────────┘

        ┌────────────────────────┐
        │ General Sales Manager  │
        └────────────────────────┘
                    │
   ┌────────┬───────┴────────┬────────────┐
┌──────────┐┌──────────┐┌──────────┐┌──────────┐
│Distribution││ Sales   ││ Sales   ││ Sales   │
│Relation  ││ Planning ││ Analysis ││ Training │
└──────────┘└──────────┘└──────────┘└──────────┘
                    │
        ┌───────────┼───────────┐
┌──────────────┐┌──────────────┐┌──────────────┐
│Regional Sales││Regional Sales││Regional Sales│
│Manager A     ││Manager B     ││Manager C     │
└──────────────┘└──────────────┘└──────────────┘
```
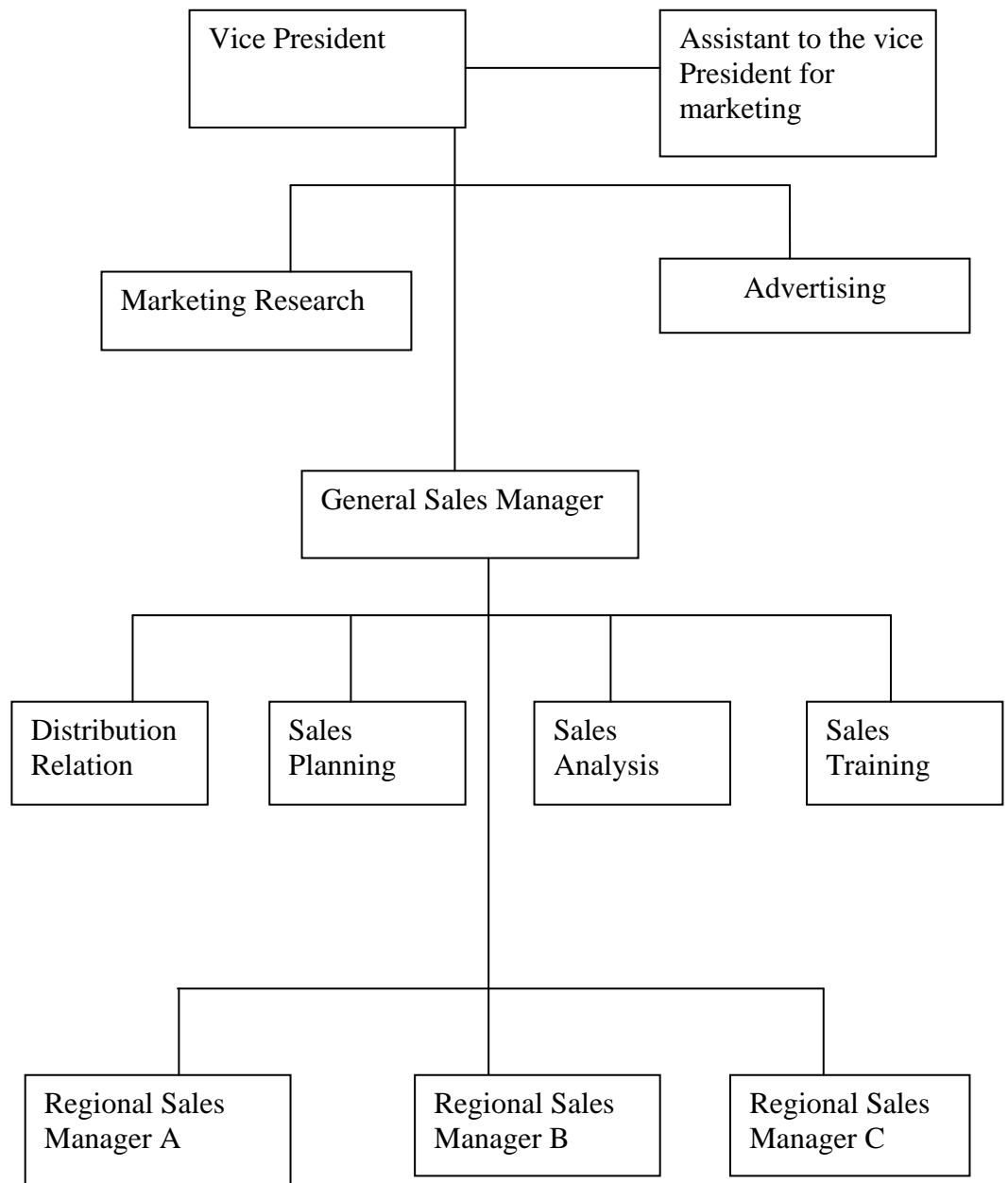
❖ Develop creative personality traits for example : Self esteem, self confidence, self worth to become a self starter and freedom from fear of failures.

❖ Assume responsibility for mistakes, that is, be pro-active. Be internally motivated.

Rule 2

❖ Set high standards but realistic ones for your sales force.

❖ Set high personal examples and accept mistakes as errors of judgment.

❖ Ensure frankness in criticism which is self rewarding and educating to others.

Rule 3

Ensure that sales force are collaborative among themselves, that is , they work as a team and make full use of each other for collective goal achievement through.

❖ Good means of communication, open and purposive. Fostering full co-operation among seniors and juniors.

❖ Developing individual capabilities, creative attitude and respect for each employee.

❖ Encourage juniors to settle their own grievances themselves, rather than letting them rush up to you.

Rule 4

Fight for your people and for your ideas:

❖ You are responsible for people under you ; so protect and promote them.

❖ Support the men in trouble; don't be afraid of telling the faults of superiors against the juniors.

❖ Help them in progress, get promotions, get noticed and remunerated.

Rule 5

17

- ❖ Retain the principle of accountability as a check on exercise of delegated authority.

- ❖ Promote the right 'men', pay right salaries and perks and put them in positions as deserved by them.

- ❖ Pursue the policy of promotion from within as a win-win strategy.

- ❖ Accept sales force feelings. Encourage them to open up, to address you as a friend in reed.

1.6 Duties and Responsibilities of Sales Manager

The Sales Manager is the most important person in a Sales organization. All Activities are based on his functions and responsibilities.

The following are some of the prime duties of a Sales Manager.

1. Organizing sales research, product research, etc.

2. Getting the best output from the sales force under him.

3. Setting and controlling the targets, territories, sales expenses, distribution expenses etc.

4. Advising the company on various media, Sales promotion schemes, etc.

5. Monitoring the company's sales policies.

Reid gives the following chart of the steps necessary for getting success in selling :

To Yourself	To the Company	To our Customers
Increase basic selling Skills.	Be proud of your association with you company.	Work closely with decision takers and influencers in each account. Point out the advantages of an association with our company . Keep accounts current On all company advertising and promotional activities.
Study the latest products, promotion policies and Procedures. Be alert to new sales and merchandising ideas.	Growth and developments in your territory. Be prompt in handing records, reports, correspondence, etc. Cut selling costs by economical routing, good use of time, planning and greater awareness of opportunity.	Suggest ideas, methods, techniques and tips that can stimulate sales. Inform the customers about the trends in their areas.
	Strive to reach the best goals	Make the customers aware of the changes in the company's policies or procedures.

	Ask for help, when you need it.	Stimulate and maintain enthusiasm For your products.
	Co-operate with order departments of the company.	Build and maintain good will.
Grow so that you can assume greater responsibilities as opportunities permit. Maintain the appearance and deportment expected of a Territory Sales Manger. Analyse your weak and strong points and then think about them.	Check demand and movement of products in the territory. Report activities of the competitions	Handle complaints effectively and to The complete Satisfaction of the complainants. Suggest the best technique For selling our products to the customers. Organise presentations to inform And save time.

Source : Reid, A.L., Modern Applied Salesmanship 1971, p. 418

Outline for Compiling Sales Job Descriptions

Sales

- Make regular visits Market the full line

- Handle questions and objections Check finished goods stock

- Interpret sales points of the line to the customer

- Explain company policy on credit, merchandising, stock rotation, etc.

- Get the order

- Install product displays and other POP's

20

Report product weaknesses, complaints

- Handle adjustments, returns, and allowances

    Handle request for credit

- Handle special orders for customers

    Establish priorities, if any

Territory Management

- ❖ Arrange route for best coverage

- ❖ Balance effort with the customer against his potential volume

    Maintain sales and important territory records.

Sales Promotion

- ❖ Develop new prospects and accounts

- ❖ Make calls with customer's salesmen in areas where "stockiest" are in force

- ❖ Train the personnel of wholesalers, distributors, stockiest, etc.

    whenever requested by them.

Sales Executives

Each right make a daily work plan for the next day.

- ❖ Organise field activity for minimum travel and maximum calls

    Prepare and submit special report on trends, competition

- ❖ Prepare and submit daily reports to home office.

    Collect and submit daily reports to home office.

❖ Attend sales meetings

❖ Collect overdue accounts Collect credit information

Goodwill

❖ Counsel customers on their problems

❖ Maintain loyalty and respect for the company

1.7 Sales Supervision

Sales supervision consists of giving instructions to sales force and seeing that they are carried out . Good supervision involves the development of skills in working with people and influencing them to do what you want them to do, and do it well.

It is true that salesmen are made, they are not born because, they are trained by their superiors. Personality, the ability to get along with people, was considered all-important. There are three areas in which sales trainer can impart the training to the sales force :-

1. Product Training

It is most important that a salesmen must be thoroughly familiar with his product as well as product ranges. Proper emphasis should be given to teach product information in terms of the benefits which can be obtained by the customer. Salesmen must know the following aspects of the products:

➢ Technical features

➢ Technology

➢ Quality

➢ Packaging

➢ Grading

➢ Branding

3. Selling Areas

➢ Product history for sales quota attainment in each territory. Sales ratios

➢ Workload per sales person Bills receivable analysis Sales analysis report

4. Selling Skills

The sales person should be good in human relations and should have the following qualities :

- Good Appearance
- Good Communications Self - Confidence
- Creative
- Proud of his association
- Satisfy the curiosity of customers
- Up – to –date knowledge of products

1.8 Personal Selling

Personal Selling is a promotional tool. It is the oldest and a very lucrative and effective tool of promotion. Here the foot soldiers have the responsibility of promoting the product. Sales people form the very important part of a marketing group. According to 'AMA' : Personal selling is oral presentation to a buyer for the purpose of making sales'.

Basically, it is an art to persuade the customer to buy the product. A sales person should have the persuasive power. In addition a good sales person must have a detailed knowledge about four things :

1. Company
2. Competitors
3. Consumer
4 . Product

A sales person should have positive attitude. Personal selling involves personal confrontation, i.e., presentation should be lively. We can make changes according to the feed back and therefore it is a bit flexible tool as compared to advertisement.

In personal selling, some kind of a lasting and social relationship develops. This personal touch can only come in personal selling. Another advantage in the personal

selling is that it can be used for consumer as well as for industrial goods.

When Personal selling is required

- ➢ When the product requires some kind of demonstration.
- ➢ When the market under consideration is comparatively smaller.
- ➢ For the specific needs of the customer, i.e., in case industrial goods.
- ➢ For selling a service, e.g., five star hotels, banking etc., sales people have got an edge.
- ➢ When you have got an edge.
- ➢ When you have got big orders.
- ➢ When confidence is to be built up in the minds of customers.

Objectives of Personal Selling

Personal selling has been defined as the oral presentation to prospective customers of one's goods and services for the purpose of ultimately making a sale.

All selling processes contain the same basic steps, though the detail of each step and time required to complete it, will vary according to the product that is being sold. For example, a door –to – door sales representative may go through all the steps from prospecting to closing of sale in a matter of ten to fifteen minutes ; in contrast, the selling process for computer or electronic typewriter may take several visits, even years, for getting an order. The selling process is shown below :

The Selling Process

Prospecting Identify and Potential Quality → Customers	→	Preparing Pre - Approach Call Planning

Presentation Approach Demonstration	→	Handling Objections	→	Closing	→	Follow Up
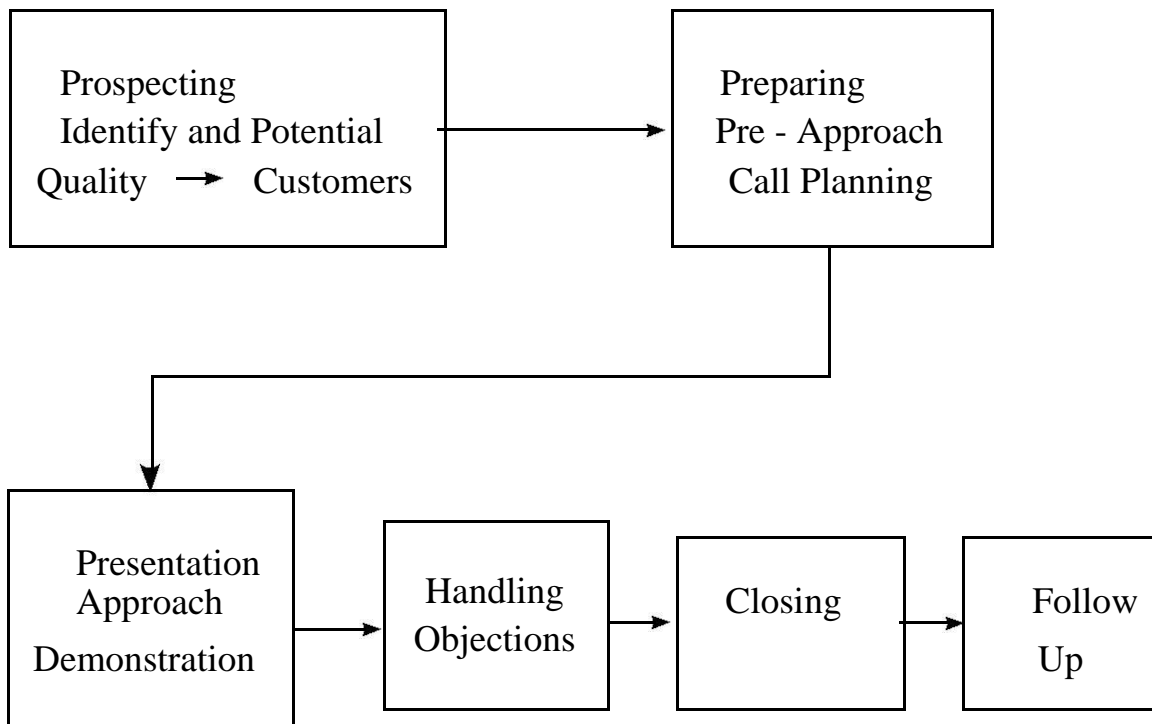
Source : Sales Management Concepts, Practices and Cases by Eugene M. Johnson, David L. Kurtz, Eberhard. E. Scheuing, McGrow- Hill Book Company.

Objectives of personal selling can be briefly stated as sales, profits and growth for the organization in a continuum in order to ensure its survival. The following objectives are achieved through personal selling :

- ➢ To carry out the complete selling job when some elements of the promotion mix are missing.
- ➢ To serve the existing customers efficiently and effectively.
- ➢ To look for new perspective customers for new / more orders.

PERSONAL SELLING MANAGEMENT CHART

```
                              ┌─────────────────────────────────┐
                              │ Promotional Programme           │
                              │ advertising personal Selling Sales│
                              │ promotion publicity             │
                              └─────────────────────────────────┘
                                            │
                              ┌─────────────────────────────────┐
                              │ Set personal Selling Objectives │
                              └─────────────────────────────────┘
                                            │
                              ┌─────────────────────────────────┐
                              │ Determine Sales potential       │
                              │ Marketing Policies              │
                              └─────────────────────────────────┘
                                            │
  ┌──────────────────────┐    ┌─────────────────────────────────┐
  │ Determine Kind of Sales│───│ Decide Sales Force Size         │
  │ Personnel            │    └─────────────────────────────────┘
  └──────────────────────┘                 │
                              ┌─────────────────────────────────┐
                              │ Formulate Personal Selling      │
                              │ Strategies                      │
                              └─────────────────────────────────┘
                                            │
                              ┌─────────────────────────────────┐
                              │ Determine Sales Budget          │
                              └─────────────────────────────────┘
                                            │
                              ┌─────────────────────────────────┐
                              │ Manage the sales Force          │
                              │   -- Recruiting and selecting   │
                              │   -- Training and Development   │
                              │   -- Motivating                 │
                              │   -- Compensation               │
                              │   -- Assigning to Territories   │
                              │   -- Routing and Scheduling     │
                              │   -- Evaluation and Supervising │
                              └─────────────────────────────────┘
                                            │
                              ┌─────────────────────────────────┐
                              │ Evaluation of personal selling  │
                              │ programme                       │
                              └─────────────────────────────────┘
```

- To encourage the existing customers for their co-operation in the promotion of the various products of the company.
- To keep the consumers informed time after time about the various changes in aspects of the marketing strategy and the product line of the company.
- To provide complete assistance to the customers for selling the product line.
- To provide proper assistance and advice to the customers regarding certain complicated products and the products for specific uses.
- To assist and advise regarding the training programmes for the sales personnel of the middlemen / dealers.
- To help the dealers in their management and related problems.
- To collect recent information regarding the market and report this to the company (Information of company's use)

The quantitative objectives are assigned for a short term and they keep on changing depending upon the market situation from time to time. They are :

- To retain the existing market share and try for increasing it.

- To increase the sales volume and hence the profits. It also includes the striking of a proper balance between the different elements of the marketing mix of the different products of the company.
- To make attempts to open new accounts and maintain the existing ones properly, effective and efficiency.
- To exercise expense management and to keep the expenses within limits.
- To achieve the targets and try to exceed them.

1.9 Summary

The term 'sales management' refers to the administration of the personnel and resources used in the process of selling a company's products and/or services. This includes the planning, implementing, and managing of sales programs, as well as handling the hiring, firing, and training of sales staff. Sales management covers planning and organizing personal selling activities. It further performs sales force recruiting,

selecting, training, assigning, routing, directing, motivating, remunerating, evaluating, and controlling functions of personal selling. Most often following types of sales manager are existing ib Indian business scenario:-

- Administrative sales manager: ...
- Field sales manager: ...
- Administrative-cum-field sales manager: ...
- Assistant sales manager: ...
- Product-line sales manager: ...
- Marketing staff manager: ...
- Divisional/regional sales managers: ...
- Branch sales mangers:

Thus, there are three basic objectives of sales management viz. increasing sales volume, contributing to company profits and long term growth of an organization. Sales management has over the years assumed broader significance as in addition to the management of personal selling, sales management includes marketing activities like advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising. Well-executed sales management strategies provide better clarity. It also helps sales teams in planning and implementing company-wide sales targets. This ultimately helps them achieve their sales goals. Which means revenue that keeps the organization afloat and ahead of your competition.

1.10 Key Words

- **Behavior: -** To achieve the preset goals keep continuing in action by one person or group is called behavior.

- **External Environment:** - This type of motivation that affected from outer of work like wages and extra profit etc.

- **Financial Incentives:-** This incentive exist in finance or profit form like wages, salary, profit on leave, insurance, and medical claim etc are involved.

- **Internal Motivation: -** This type of motivation means those work related objects /convenience which are more important to give satisfaction during work disposal.

- **Work Promotion: -** According to this process developing in subject material related with work, responsible area, variation and challenges etc.

- **Motivation:-** Motivation process means that a requirement which are controlled and directed to human's behavior.

- **Objectives: -** Objective is a main motive to influencing the way of behavior that is encouraged to person to do work.

- **Motivator: -** Motivators always attached with worker's positive emotion take place.

- **Non Financial Incentives:** Post, assumption, challenging task etc incentives are involved.

- **Self-satisfaction**:- Descriptive means of this requirement are relevant with continuing developing will power and capability of …….task.

- **Social Requirements**: - These requirements are relevant with social incentives, close to each other, always be friend, feel it own etc.

1.11 Important Questions

1. What do you mean by personal selling? What is the importance of personal selling?
2. What are the advantages and disadvantages of personal selling?
3. How is sales is different from marketing?
4. Discuss the process of selling? Also discuss the AIDA concept of personal selling?
5. What is sales management? What are the various functions of sales management?
6. Explain the basic theories of sales management?

References

- S.A Sherlekar (14th edition); Marketing Management; Himalaya Publishing House, Mumbai

- Michael.J.Etzel, Ajay Pandit,Bruce. J.Walker, William.J.Stanton (13th Edition), Marketing
- Concepts and Cases; Tata McGraw hill Companies, New Delhi.
- James.R.Ogden, Denise.T.Ogden (2018); Integrated Retail Management; Biztantra, New Delhi.
- Biplab.S.Bose,(2017); Marketing Management; Himalaya Publishing House, Mumbai
- Kothari, Mehta, Sharma (2012); Marketing Management; RBD Publications, Jaipur
- Phillip Kotler, Kevin Lane Keller, Abraham Koshy, Mithileshwar Jha,12th edition, Marketing Management; Pearson Prentice Hall; New Delhi.
- V. S. Ramaswamy, S. Namakumari; 2009; Marketing Management; MacMillan Publishers Pvt Ltd.
- Kotler, Keller, Koshy, Jha; 2009; 13th Edition; Marketing Management: A South Asian Perspective.
- Gavin Kennedy, John Benson and John McMillan (2010) *Managing Negotiations,* London: Hutchonson Business..
- R.L. Bhatia (2004) Development Presentations Skills, New Delhi: Wheeler Publishing.
- Rajan Saxena (2003) Marketing Management, Tata McGraw Hill Publishing Company.
- S. Neelamegham (2008) Marketing in India Cases and Readings, Vikas Publishing House Pvt. Ltd.: New Delhi.

UNIT-10   Sales Process & Computer Application

10.0 Introduction

In the previous unit, we have discussed the concept of sales management in detail, this discussion clearly present that term 'sales management' refers to the administration of the personnel and resources used in the process of selling a company's products and/or services. This includes the planning, implementing, and managing of sales programs, as well as handling the hiring, firing, and training of sales staff. Sales management covers planning and organizing personal selling activities. It further performs sales force recruiting, selecting, training, assigning, routing, directing, motivating, remunerating, evaluating, and controlling functions of personal selling. In this unit, we will try to analyze the process of sales and use of computers in this regard.

10.1 Objective

After studying this unit, you will be able:-

- To understand the process of sales,

- To analyze the effectiveness and advantages of sales processes,

- To understand various steps to improve sales cycle and

- To describe the Computer Application in Sales Management.

10.2 Sales Process

Having a visible sales pipeline helps a team monitor the progress of their efforts and gives them an accurate picture of what needs to happen to boost the company's revenue. Improving sales results means more money for the company and for the representatives, who earn a commission simply put, it is a potential customer's journey from realizing they have a need for a product to making an actual purchase. And since the sales process is *a journey* for a prospect, it is *a roadmap* for a sales person.

Irrespective of the industry, company size, or product type, there is always a need for a sales team within an organization. And, within every sales team, the style of selling may vary from person to person. But, it is not about talent. It is about what the organization provides to make its sales people successful. One of the solutions to that is having a robust sales process that acts as a roadmap, so your salespeople always know what to do next without hesitation and stay on track.

 A sales process is a group of repeatable systematic and well organize steps , so that a sales person to take a prospective buyer from the early stage of awareness to a closed sale. Usually a tried-and-tested process, it acts as a guide for salespeople to move a deal through the sales pipeline and close it. Typically, a sales process consists of 07 steps. These seven steps present the typical sales scenario as composed of the following: (1) prospecting, (2) pre-approach, (3) approach, (4) presentation, (5) overcoming objections, (6) close, and (7) follow-up.

Thus, a sales process is a structured routine of actions or sales stages used to move prospects down the sales funnel and convert them from leads to paying customers. A good sales process is never set in stone! It needs to be revised and adapted regularly; making sure it reflects the current state of the market, your customers' changing needs, your team skills, and your business specifics. It should always remain a work in progress. Lets describe these seven steps in detail one by one for better and clearcut understanding:-

(1) **Prospecting,** Prospecting is the first step in the sales process. In this stage, you might be looking at your target customer profiles, identifying potential clients for contact, and considering the best way to approach them , therefore this is the first step in the sale process where we find your initial customer, and then we check whether or not his need and demand for our product or service. While doing so, we also check whether he qualifies to pay for the product or not.

Never rush it! Taking the time to thoroughly research the prospects is the best thing we can do to close more sales. How do we can search a sales opportunity? Let's break this step into three stages:

1. Start by creating an Ideal Customer Profile (ICP). While we may take it for granted that we know who is our ideal customers are, the process of creating an ICP gives us a laser focus and can uncover new insights for our sales campaign. It's critical to know who we are contacting and why. At its most basic, our ICP will be a fictional company (based on real data) that:

- Represents companies who both offer you great value (in terms of revenue, influence, etc.) AND
- Receive great value from you (usually in terms of ROI, improved service, etc.).

You can get an idea of what goes into an ICP by taking Belkin's online questionnaire.

2. Once we have an ICP to work from, we can begin generating a database of potential leads who match that profile. Finding those companies will depend on our specific requirements, but possibilities include social media (such as LinkedIn) and online

databases (such as Crunch base). When we find those ideal companies, compile a list of the individual prospects at those companies for our sales team to contact and qualify.

3. Even when working from the best ICP, we have to still need to qualify our individual prospects. Here's an interview we did on how to qualify prospects if we're curious, but in short, we'll want to look for four key factors:

- Need
- Budget
- Authority
- Timing of Need

We can then look into additional qualifiers depending on our unique requirements, such as company size, growth, geography, and so on. While we may need to speak directly with our prospect to fully qualify them, you can usually get a good indicator of these factors during our initial research phase.

(2) Pre-approach:-Now that we've to identify our dream client, it's time to reach out and build a connection. What's the best way to get hold of our prospects? Maybe they're particularly active on a specific social network, or they're only reachable by phone. Maybe cold email is the best method, or an old-school postcard is needed to stand out from the competition. Perhaps we're just not sure, which means of communication is right for our ICP. As a general rule, we recommend steering clear of phone calls unless we have no other option.

Studies show that 80% of phone calls go right to voicemail – and only 2% of the calls that get answered result in an appointment. Talk about slim chances! The good news is, 78% of decision-makers say they've arranged an appointment or attended an event due to a cold email. Email is a great way to make direct, personalized contact with your lead. The best time to send emails is usually between 8 am-10 am and 3 pm-4 pm. During these times, people usually aren't at their busiest, and might be checking email to wind up or wind down. Using social media will depend widely on the platform and our audience – but it doesn't hurt to try. Consider pairing it with email marketing to boost our chances of making a connection.

However, in all likelihood we will use a combination of methods. For example, we might interact with them on social media; send an email, then follow-up with a phone call. Either way, we have to remember to use the method that's best for our client.

We may love reaching out with connection requests on LinkedIn, but if your contact is inactive, doesn't respond to connection requests, or isn't even on the platform, even the most original, clever outreach message may as well be smoke signals.

The second phase of this stage is execution. Usually they say we only get one chance to make a good first impression. So, no pressure. When you finally reach out, it's important to have our objective clearly in mind. In most cases, this will not be "making a sale". After all, would you buy anything off a complete stranger on the internet?

The higher our price point, the less likely someone is to buy from your initial outreach efforts, whatever its form. Instead, use your outreach to introduce yourself, to build trust, and ultimately start a conversation. The sale comes later.

(3) Approach:- Now it's time to prove our relevance to our prospect. Prepare ourself to answer key questions about our unique offers and benefits, as well as what problems we can solve for them.

Based on what we learn, we can nurture our lead. Even without objections, most prospects will need some kind of nurture sequence. For example, you'll likely need to move them along the stages of awareness, from pain aware to most aware. We'll still need to build trust, and the best way to do that is offer consistent value. Nurturing leads involves educating them about the general product, service, or industry, personalizing your communication, and addressing common challenges.

While nurturing, you're working to establish a reputation for being helpful, responsive, and a reliable resource in your area of expertise. In addition, we will likely come across prospects who are interested and otherwise qualified, but for whatever reason aren't ready to sign up right now. In this case, it's important to maintain regular contact — again offering valuable help to stay top of mind. When they are ready to buy, we'll be the first person they think of. In this stage, or possibly in stage three, you might even learn that your prospect wants a product or service urgently. Once you get to this point, it's best to move on to stage five.

(4) Presentation:-So far, the cycle has focused on our prospect. We've met them where they are, learned about their needs, and educated them on their questions and concerns. It's time to take all that knowledge and present the best possible offer we can. Keep your offer relevant, targeted, and personalized to the needs we previously discussed. Connect our offer to their challenges, budget, and long-term ambitions. Finally, think about creative ways we can present and package our offer.

(5) Overcoming objections: - We've provided information, support, and even given our best possible offer. Now, the ball is in your prospect's court. Usually, they return with an objection to our offer. The most common objections include price vs. value, risk, content of the offer, contract terms, and more. If we can, it's best to try to handle these objections early, like in the nurturing phase. But sometimes it's just not possible to handle them ahead of time. When we respond, be patient and empathize with their concerns. No one responds well to being rushed or pressured.

Make sure that we handle objections that relate to each other, as well. For example, if our lead is concerned with price, make sure they understand exactly what's included in our offer. Once we've offered an explanation, ask them to confirm that we've handled their objection.

However, in some scenarios these objections won't be explicitly stated, meaning you'll need to learn to read between the lines. "We're not interested" might mean they've tried similar services before and been let down, and are worried about that happening again.

Familiarizing yourself with general objections will help. But to get to the real root of the objection, you'll often have to ask more questions. Once you've asked a question, remember to listen carefully to their answer rather than preparing what you're going to say next. Once all objections are handled, we can move into the final stage.

(6) Close the Sale: - So we've done a great job and we didn't let them see you sweat. It's time for the final stage of the sales cycle; there are two separate parts to this step:

Sealing the Deal: - If the prospect matches our ICP, we've reached out in a way that suits them, and we've demonstrated value, then hopefully they'll be eager to buy.

we should never feel the need to "trick" them into buying, but even a perfect prospect may require a nudge before making their decision. we can't rely on them closing themselves. The key is to make it easy for them to say "yes".

Closing the sale not only confirms their engagement, but also works to set up next steps. At this time, we can ask for a starting date or offer an extra benefit if they sign today.

It might be counterintuitive, but avoid offering discounts – studies show that this can decrease the odds of successfully closing a sale by 17%.

Closing is also an opportunity to remind them of a specific result we believe we can achieve for their business. However we choose to do it, feel free to be a little creative. There are a variety of great ways to close the sale, ranging from indirect ("Are you happy with the features in this particular package?") to the direct ("Would you like to go ahead and sign up now?"). We can also introduce other factors, such as:

- Urgency/scarcity ("The price goes up at midnight")
- Offering incentives
- Including a free trial ("Why not try it out for a week and see how you get on?")

For example, at Voda-phone the team is very confident in its ability to consistently deliver qualified leads to our clients over time, so they don't lock companies in with a minimum engagement period of three or six months, allowing them to pay as they go month-by-month. This policy helps them to close more business than their competitors, since clients don't feel obligated to a long-term contract from the first month.

If, after all this, the prospect still seems hesitant, it's often best to simply ask them what else they'd need to know to make a decision. Once you've closed the deal and gotten their commitment, stick around to answer any remaining questions and provide them with clear next steps. If you're having an in-person meeting, offer to send a summary email to them and their assistant or superior that reviews your conversation and agreement.

(7) Follow-up:- Finally, even with your best efforts, factors outside your (or the prospect's) control may mean the answer is "Not yet." In this case, the best thing you can do is add them to a nurture campaign (see above), regularly following up with any prospects who aren't yet ready to say yes. You could also use this as an opportunity to reach out to additional contacts within the same company.

10.3 Effective Sales Process

Relying on our talents and resourcefulness is a cool way to work. However, sales are not a game of intuition and creativity. Sales are a structured set of tactical steps. Here's now we will lisi and discuss some important points to how we can establish a standardized effective and efficient sales process for our team .Lets discuss one by one in detail:-

1. A sales process is a series of stages that cover the major milestones of a sale. Each stage consists of tasks that a sales person will follow in order to advance a prospect from one stage to another. The first step is to gain a full understanding of what our sales team is currently doing to turn prospects into customers.

- How do our salespeople connect with potential buyers?
- What is the last thing they do before closing a sale?

Interview your sales team to learn their language, strategies, and technique to incorporate into a cohesive plan that can be replicated and systemized for other people.

2. Having a defined process of specific chain-effect steps gives us a more accurate understanding of what things are and aren't working in our sales. Defining what triggers (actions) cause prospects to move from one stage to the next makes it easy for us to identify the RIGHT actions and get rid of bottlenecks and those activities that yield no or little results.

3. A sales process is often called a "sales rep's roadmap". Following a roadmap does not mean that a sales person will be instructed "do this, then do that". Instead, a sales process will serve as a GPS system with clear steps and milestones. Knowing what each step

entails, helps sales people to understand where they are in the process, when it's time to move to the next step and when to adjust our course.

4. Having a sales process does not cancel creativity. We can use our gut instincts and creative talents to get from one stage to the next, as the sales process won't dictate how to sell on social media, how to structure your sales pitch, what to write in a sales email, or how to draft in a proposal – that's up to your sales talent and skills!

5. Often companies create a sale process that reflects the *way they want to sell*, not the *way their customers want to buy*. An effective sales process should be adaptable to suit different selling situation and customer needs. Designing a sales process with your customer in mind, will entail you asking the following open-ended questions:

- What are my main customer groups?
- How do they differ in terms of their buying patterns?
- How differently do I sell to new customers and for repeat business?
- What are my customers' expectations in each sales stage and what can I do to meet them?

6. Customers want to have a deep relationship with companies. According to Gartner, "members of the next generation of customers flock to businesses that treat them as if they were special, rather than as 'just another number.' Customers want to have a connection, a relationship, with the organizations they deal with." When we earn the attention of a potential customer, take a relationship-led approach and articulate what that means for our sales people. Active listening, empathy, note-taking, trust-building, and following up are great skills to build and deepen relationships with customers.

7. Adopting a sales process allows sales professionals to be able to identify the root cause of stalled sales. By following a set of steps, you are able to analyze whether or not your actions were sufficient, how many of them you actually needed, and what proved to be a misstep or a waste of time.This means that if you work with a sales process you can tell not only *what* was and wasn't achieved; but also, *how* it was or wasn't achieved.

8. Adopting a clearly defined sales process will help your sales team to tackle its biggest pain – filter out low-potential leads and identify the prospects with biggest likelihood to purchase. In fact, more than 70% of all B2B sales cycles take between 4-12 months to close, which is why identifying qualified leads earlier in the process will not only help to make your sales cycle shorter and more targeted, but it will also help your sales team to maximize their efforts.

9. Having a clear picture of where your sales people are in the sales process helps sales managers to come up with more accurate sales forecasting. Since a sales process is a set of repeatable steps, it gives a more consistent picture of how many deals your team closes from a given number of leads. This allows you to predict your win rates and set quotas with more accuracy.

10. One of the most important aspects of winning a sale is a timely follow-up email. During a (often lengthy) sales interaction, sales reps may forget to follow up with potential customers. This alone may send an entire sale down the drain. Follow-ups keep the desire to buy alive. But as we all know, following up isn't easy. In fact, it's currently ranked as the third biggest challenge for sales teams. A standardized sales process will always remind you when to follow up with a prospect and keep a healthy sales pipeline. It can even offer a type of a follow-up activity and even a template to use.

11. Often a sales rep pushes a customer too quickly into the next stages of a sale, for which they may not be ready yet. This can not only damage the relationship, but simply break the deal. A well-designed sales process, that focuses on the customer, can turn a haphazard and often pushy sale into a smooth sailing customer experience. Based on your customer's buying behaviors and expectations, a sales process will offer the steps that sell value, enhance trust and create a stronger bond with a potential customer – all at the right time.

12. If, instead of proper training, your new sales people are asked to shadow (watch) their colleagues sell, then you definitely need a sales process. A defined sales process makes it easy to train rookies and coach your sales team. Not only will it offer concrete sales steps for them to follow, but it will also highlight what behaviors and skills are

required for each stage of a sale, what outcomes are expected at each step, and what individual strengths should be utilized at different sale stages.

10.4 Advantages of Sales Process

A defined sales process can help you *do the right things right* and know for sure what works and what doesn't. Equipped with this knowledge you can avoid making the same sales mistakes over and over again. The long-term advantages of adopting a well-tuned sales process are plenty. Our sales team can:

1. create and maintain long-lasting customer relationships,
2. ensure higher customer lifetime value,
3. reduce customer retention costs,
4. get more referrals,
5. Increase sales revenue.

For a sales manager, following a standardized sales process creates a possibility to concentrate on the things that matter most: planning, distributing leads, prioritizing tasks, managing your team's time and work load better, as well as making more accurate sales forecasts.

To make sure your team sticks to the process, you need a CRM. A CRM system will automate every sales stage and prompt what actions to take, when to follow up, send information and when to start preparing your sales pitch.

CRM allows you to easily program all sales stages, document all communication and move a prospect from one stage to another at the right time. Less work, more sales. What more could you ask for?

10.5 Importance of sales process

If you're a sales manager handling a team with no sales process, then let me paint a picture for you. Your team is performing various sales activities each day, across different accounts and deals. But the only metric tracked is the number of deals closed

and their value. There is no visibility into the sales activities performed, and when the revenue produced by the sales team fluctuates, no one has a clue why. If this sounds familiar, then yes, your team needs a sales process. Here are five main importance to having a structured sales process. Let's discuss one by one:-

- A defined sales process clearly outlines the buyer persona (BP) and the ideal customer profile (ICP) for prospective buyers. This helps salespeople understand whom they should be talking to, rather than waste time in all the leads they come across.

- When your salespeople can weed out the leads, which are less likely to buy, they will be able to engage with and qualify the right prospects. Focusing efforts on prospects,who are likely to close not only reduces the sales cycle but also justifies your salespeople's time and efforts. CRM software with AI lead scoring further helps them by ranking the leads based on their engagement with the product and the salesperson.

- Prospects need to hear from you an average of seven times before they decide to make a purchase. But in reality, most salespeople don't have a follow–up plan. Sometimes, they follow-up once, probably twice and when they don't get a response, they move on to the next prospect this inconsistency results in opportunities slipping through the cracks. A sales process with a winning sales

10.6 Computer Application in Sales Management

Computer technology gives salespeople instant access to product specs and other tools that increase the effectiveness of their sales pitches, resulting in higher closing rates and a better customer experience. And, when it's contract time, mobile access makes all documents readily available for the closing process. Today, many sales managers and sales teams are almost constantly connected to their screens, devices, apps, and online tools. While these technologies are designed to improve sales effectiveness, I see two potential pitfalls when it comes to the proliferation of technology and selling.

One pitfall is to the temptation to sit back and become an armchair quarterback who never gets out from behind the screen and fails to build relationships. No matter how

much technology we rely on, relationships are still foundational to sales (which involves personal interactions with customers) and sales management (which involves personal interactions with the sales team). The other pitfall is to become intimidated by technology and not harness its power properly. Technology in sales can be overwhelming, so it is essential to remember that, as a manager, you don't need to embrace every new technology. Instead, focus on adopting those technologies that yield the highest performance and productivity gains. Let's take a look at some examples of basic technology tools and how sales managers can use them to improve sales performance.

1. CRM: - Today, most sales organizations use some type of CRM system. CRM absolutely provides better visibility into sales opportunities and allows sales managers to track deals as they progress through the pipeline. By monitoring these opportunities, sales managers can review stage, probability, and velocity to improve forecast accuracy. However, if you're *just* using CRM to gain insight into sales opportunities and turn out better sales forecasts, you're not leveraging its full potential. Unless a sales manager uses those insights from data in CRM to actively coach reps (i.e., deal coaching), they're not leveraging the power of CRM to increase win rates.

2. Video Conferencing: - Video conferencing used to require big, bulky, expensive equipment. Today, anyone can hop on a video conferencing call. This has been a great enhancement for sales managers whose salespeople work remotely. However, the default for many sales managers is still to pick up the phone or send reps an email. Don't overlook the value of video technology. Body language, facial expression, and energy level are all readily apparent on a video conferencing call and can be masked on an ordinary phone call.

3. Virtual Learning:-Salespeople today no longer have to wait for in-person events or classroom training to improve their skills. Thanks to virtual learning training platforms (VLT) and Learning Management Systems (LMS), sales managers can provide salespeople with ways to engage with sales training anytime, from almost anywhere. Again, however, the key is to leverage these tools to reinforce and enhance coaching and group collaboration. It's not enough for salespeople to log on to an LMS, take a few

quizzes, and log off. Salespeople still need direct engagement and feedback from managers to improve their selling skills.

4. Mobile Devices:-All salespeople today are on mobile devices -- and not just phones. They're using iPads, laptops, and other devices that help them routinely during a given day of selling. As an example, sales acceleration software (a partner of ours) can send out questions to the salesperson's mobile device in the form of real-world sales scenarios. Salespeople can then submit responses, and managers can view how well their sales team is mastering the skills and concepts. This reinforces selling skills in a very tangible way because sales managers can identify skills gaps and tailor coaching efforts accordingly.

5. Social Networks:- Social tools are getting a lot of attention, especially as more millennial enter the sales ranks. My view is that sales managers can provide much-needed direction for salespeople who might be trying to using too many platforms at once. Instead of multiple networks, focus on cultivating a high-quality presence on the key social networks that your target customers are using. As an example, we have found that for B2B sales, LinkedIn and Twitter work particularly well.

All of these technology tools allow sales managers to engage more frequently and in an enhanced way with their sales teams. The job of any sales manager is to lead, manage, and inspire salespeople. This means that sales managers need to be visible and make personal connections with individual reps. If you spend all your time behind a screen, you won't be able to do that effectively. Most importantly, sales managers need to become great coaches who can help their salespeople improve how they sell. To be a great sales coach, you need to see your salespeople in action, not just gather data about their behaviors and their sales calls.

You should accompany them on sales calls and observe their interactions with customers. This will provide you the opportunity to see their strengths and weaknesses, provide feedback, and help them develop the right skills. By providing ongoing sales coaching, you will see an amazing improvement in sales performance. Above all, remember that selling is about developing relationships and that today's technology tools are there to enhance how we provide value to our customers and sales teams.

Thus, technology provides businesses with opportunities to attract new customers and increase their sales. Many types of technology will have an impact on the sales activity of a business. Examples include digital communication systems, e-commerce, social media and payment methods.

Technology has important effects on business operations. No matter the size of your enterprise, technology has both tangible and intangible benefits that will help you make money and produce the results your customers demand. Technological infrastructure affects the culture, efficiency and relationships of a business. Therefore, some benefits of technology solutions for sale are:-

- Improved Business Ability.
- Improved Staff Coordination and Collaboration.
- Automation and Productivity.
- Increased Revenue Streams.
- Better Storage Solutions.
- Financial Savings.
- Improved Data Security.
- Better Customer Experience
-

10.7 Summary

The sale process is more than just selling products or services and closing the deal. It is a step by step process which begins long before the contact of the customer and the salesman. Now, the question is what's the point of following the sales process? Why not just follow the conventional approach of selling, sell the product and get it over with. It is because the sale process;

- Develops and nurtures the relationship between the customer and the seller,
- Helps you to implement marketing strategies effectively,
- Lowers the customer acquisition cost and bring more customer referrals,
- Allows you to speed up the sales

Technology provides businesses with opportunities to attract new customers and increase their sales. Many types of technology will have an impact on the sales activity of a business. Examples include digital communication systems, e-commerce , social media and payment methods. Technology has important effects on business operations. No matter the size of your enterprise, technology has both tangible and intangible benefits that will help you make money and produce the results your customers demand. Technological infrastructure affects the culture, efficiency and relationships of a business.

10.8 Key Words

- **Sales management:-**This refers to the administration of the personnel and resources used in the process of selling a company's products and/or services.

- **Sales process:-** It is a group of repeatable systematic and well organize steps , so that a sales person to take a prospective buyer from the early stage of awareness to a closed sale.

- **Prospecting:-** In prospecting, sales person might be looking in to target customer profiles, identifying potential clients for contact, and considering the best way to approach them ,

- **ICP:-** Ideal Customer Profile

- **CRM:-** CRM absolutely provides better visibility into sales opportunities and allows sales managers to track deals as they progress through the pipeline.

- **LMS:-** Learning Management Systems

- **VLT:-** Virtual learning training

10.9 Important Questions

7. What do you mean by sales process? Define its various steps in detail.

8. What are the advantages of sales process to increase the customer base ?

9. How is sales cycle is different from product life cycle?

10. Discuss the process of prospecting in detail?

11. What is sales cycle?

12. Explain various applications of technology in sales process?

References

- S.A Sherlekar (14th edition); Marketing Management; Himalaya Publishing House, Mumbai
- Michael.J.Etzel, Ajay Pandit,Bruce. J.Walker, William.J.Stanton (13th Edition), Marketing
- Concepts and Cases; Tata McGraw hill Companies, New Delhi.
- James.R.Ogden, Denise.T.Ogden (2018); Integrated Retail Management; Biztantra, New Delhi.
- Biplab.S.Bose,(2017); Marketing Management; Himalaya Publishing House, Mumbai
- Kothari, Mehta, Sharma (2012); Marketing Management; RBD Publications, Jaipur
- Phillip Kotler, Kevin Lane Keller, Abraham Koshy, Mithileshwar Jha,12th edition, Marketing Management; Pearson Prentice Hall; New Delhi.
- V. S. Ramaswamy, S. Namakumari; 2009; Marketing Management; MacMillan Publishers Pvt Ltd.
- Kotler, Keller, Koshy, Jha; 2009; 13th Edition; Marketing Management: A South Asian Perspective.
- Bates, Albert D, *Retailing and Its Environm* Burstiner, Irving, *Basic Retailing,* Illinois, Irwin, 1986, Chapter 20 Lewison andDelozier, *Retail Marketing, pp 67 2-7 3*
- Gavin Kennedy, John Benson and John McMillan (2010) *Managing Negotiations,* London: Hutchonson Business..
- R.L. Bhatia (2004) Development Presentations Skills, New Delhi: Wheeler Publishing.
- Rajan Saxena (2003) Marketing Management, Tata McGraw Hill Publishing Company.
- S. Neelamegham (2008) Marketing in India Cases and Readings, Vikas Publishing House Pvt. Ltd.: New Delhi.

UNIT-11   Selling Skills

10.0 Introduction

In the previous unit, we have discussed the concept of sales; the sale process is more than just selling products or services and closing the deal. It is a step by step process which begins long before the contact of the customer and the salesman and in detail, we also understand how we can make our sales process more effective then our competitors, in same sequence we explore the various computer applications in sales process because technology provides businesses with opportunities to attract new customers and increase their sales. Many types of technology will have an impact on the sales activity of a business. Examples include digital communication systems, e-

commerce, social media and payment methods. Technology has important effects on business operations.

In this unit, we will try to analyze the various skills required during selling.

11.1 Objective

After studying this unit, you will be able:-

- To understand the Selling Skills,

- To analyze the Communication Skills,

- To understand the concept of Sales Presentation and

- To describe the Negotiation Skills.

11.2 Selling Skills,

Selling skills are critical in organizations that rely on ongoing buying from customers or clients. The ability to build relationships with customers, persuade them to make purchases and generate repeat business is at the heart of selling. Sales are a component of a company's marketing and promotions.

Selling skills are the "blood" that give efficiency, effectiveness, strength and flexibility to sales professionals, they are developed through experience, sales coaching, and training. So that they could achieve their pre-desired goals within set time frame work. They must be refined throughout a sales rep's career. Sales experience **represents history of selling products or services to other people**. Gaining sales experience also helps you develop various soft skills, such as communication, listening, negotiation and problem-solving.

Sales representative, who hit their team's sales goals quarter after quarter have a few things in common **soft skills**. These are the abilities a salesperson has to build relationships, encourage productive conversation, and provide an exceptional customer experience. Thus following are key strengths which makes a good salesperson:-

- Ability to Listen. A good salesperson needs to satisfy a client's needs.

50

- Empathy. A good salesperson knows how to feel what their customers feel.
- Hunger.
- Competitiveness.
- Networking Ability.
- Confidence.
- Enthusiasm.
- Resiliency.

Selling is one element of marketing, which is the process of developing a product or service offering, communicating the benefits through promotions and managing the ongoing exchange of value with targeted customers. Selling has some key advantages over other forms of the promotional component, which makes it very important for customer-driven organizations. Lets a close look how any one can improve there sales skills:-

- **Practice mirroring.** Use the same phrases and language your clients use when discussing options and practice non-verbal communication skills by mirroring their body language to show your ideas and intentions align with theirs.
- **Listen with intent.** Focus on what others say to grasp the full message. Take mental notes as they speak, or write talking points, so you can respond thoughtfully when it is your turn to talk. You can begin by paraphrasing their key points to establish that you were listening. This also helps them to clarify ideas or miscommunications.
- **Learn all you can.** Do background research on clients, especially when cold-calling. Look up any available performance data, analyze the information, and briefly reference your findings to establish your expertise and interest.
- **Find room for improvement.** Set goals for yourself to improve, even when you are performing well. Focused short-term goals will help you move toward your long-term objectives and can impress clients and supervisors.
- **Ask for feedback**. Ask for input from coworkers and managers. It shows you value their ideas and makes them feel validated. Your acceptance of constructive criticism is professional and can give you insight you may miss when self-

evaluating. When asking for feedback from a supervisor, you open up communication and can position yourself for a leadership role in the future.

11.3 Communication Skills

Sales communication has one and only one objective; that is to create an understanding in the minds of others. The broad objective of all sales communication is to inform, persuade and remind customers about products and brands giving them reason to buy. The objectives can be broadly classified as under

- To enhance sales effectiveness
- To improve competitive position
- To generate greater profits

The chief aim of communication is to influence others by conveying meanings that will be understood and accepted by the receiver. When communication is impeded and does not reach the receiver as intended, the communication is considered ineffective and the impediments are known as barriers. These give rise to several problems in communication. Often communication problems are symptoms of more deeply rooted problems; for example it may be a poorly designed organization structure, or unclear and ill-defined organizational goals, vague performance standards etc. The problems may also be a creation of the personnel in the organization. Therefore its necessary to understand the important keys for an effective sales communication message

- The message must cater to some need in the target audience and suggest some way to meet that need.
- Message must be designed and delivered so as to gain the attention of the target audience.
- Message must focus on one or two core selling propositions.
- The message must be communicated through an appropriate channel that is compatible with and reinforces the content of the message

A sales people focus more on what to say than how to say it. The message we deliver is not what we say, but what the other person perceives we say. Furthermore, experts say 93% of the communication we do is nonverbal. Improving your sales communication skills requires mastering verbal and nonverbal communication. Lets

discuss some very important and effective communication skills for sales executives:-

1. Respond in the same "language"

While you might be both speaking the same literal language, the way you phrase your message might not be the most effective way of doing it. The way we speak, everything from tone of voice to the idioms in our speech patterns, directly affects our understandability. You might be a fast talker, but if your listener prefers a slower cadence, you may come off as hurried or dismissive. Try to be just the right amount of technical, informal, etc. You want to be certain you're not being too confusing, and that you're both on the same level of closeness. You can follow their lead a bit by seeing how they approach you, and how open they might seem when it comes to how formal you must be.

2. Careful about body language

You can say a lot by the way you sit, greet, and how you behave as you carry a conversation. Body language is a way of communicating, it is not a coincidence that it is called a language. Eye contact, for instance, is very important, as it shows empathy and makes them feel heard. Playing with the hair too much, on the other hand, is a sign of nervousness or insecurity. Be mindful of body language, both yours and theirs – you might be telling them something and not even realize it, and they might be showing you something without them knowing it, too.

3. Careful Listening

A conversation consists of moments where you talk AND where you listen, but most people might forget about the latter. Listening is part of communicating, and not just so you'll know what to answer, but how to answer, too. As a prospect or a client is telling you something, there's more that you can pick up than only what they're saying, so make sure you're actively listening. In active listening, you must focus on what is being said, paraphrase it back, and withhold judgment. This ensures that you understood them correctly and helps you remember what was said.

4. Be as clear as possible

Miscommunication happens when things aren't as clear as you think they are, leaving room for confusion or misinterpretation. This is closely related to the first tip about speaking the same language. Be straightforward and informative, not flowery or prosaic. Ask simple questions and provide unambiguous answers at all times. You may also keep a checklist or script handy for everything you need to address as you go, ensuring you cover the necessary details with each communication.

5. Do not lie!

Remember body language? Even if you try very hard to not show that you're lying, somehow, you will come off as dishonest to clients. It's almost like people can sense it, whether it is in your tone, in how some things might not add up, or just putting two and two together and realizing what you're promising is farfetched or unlikely. Lies can be easily detected, and the truth comes out sooner or later since it will be hard to keep track of what you've made up and said.

6. Research constantly

Research on a client, on the market, on trends, and even on communication skills! It is one of the best ways to be prepared every step of the way. There is no problem in saying you don't know something, but it is best not to say that too often since it will make you seem unprepared, and therefore, unreliable. Being up to date on every trend, technique, and everything else related to sales should be one of your main goals, as it can be quite a differential between you and the competition.

7. Give them "space"

It might seem like dating advice, but it applies to all relationships, including professional ones. You have to know when to approach people, and most of all, how constantly. Email them or call them too much and you might wear them out, whether by seeming too desperate or just for being plain annoying. Nobody wants to do business with someone they feel doesn't know how to respect their space and their time.

8. Know how to greet and how to say goodbye

As we have established, communicating is not just about what to say, it's how you say it. The way you'll start an interaction can make or break a deal; the way you'll end it can either burn a bridge or bring you more opportunities in the future. Always consider this when deciding how to talk to a prospect or a client, and this might also help with your reputation in the market.

After the above discussion, now we effectively analyze that communication plays an important role in sales management. Sales professionals need to be good communicators for the desired impact. In simpler words, communication is the backbone of sales management. It is absolutely not possible to close a sales deal without effective communication. There must be healthy communication between the sales professionals and the customers as well as amongst the sales representatives

11.4 Sales Presentation

A sales presentation is a great chance to progress or even complete a sale. The audience has already shown at least some interest by allowing you to make your sales presentation to them. It's up to you to make the most of the opportunity to make a truly effective presentation. Thus In selling technique, a sales presentation is a path of talk that attempts to persuade someone or something, with a planned sales presentation strategy of a product or service designed to initiate and close a sale of the product or service.

A sales presentation aims to persuade a customer that they should purchase a product or service. It can take many forms, such as a phone call, an in-person conversation, or a formal presentation in a group setting involving PowerPoint slides.

A sales presentation may happen on-site at a place of business, or it could take place via teleconference. Sales presentations are intimidating for sure, especially if you're new. I've been there, so I know some of the questions you're probably asking yourself: What should I say? How should I present myself? How do I convince the person to buy? I've found that if you properly prepare your sales presentation, you have nothing to fear. Sure, you won't land every fish — that's true even for the best salesperson. But by

making an effort beforehand, you'll be taking an important first step in a successful sales career.

A winning sales presentation shows a sales lead the value of what you're selling and convinces them that the time is now to buy. Here are five steps to creating a sales presentation that will increase your chances of landing a customer. A good sales presentation is key to any sales strategy. If you've never put together a sales pitch deck before, this guide will take you through some presentation ideas and tried-and-true product pitch techniques so you'll get it right the first time. Lets discuss the key strategies of sales presentation in detail one by one:-

1. Presentation planning: - Systematic and advance planning can make all the difference for a business presentation. To start with, you need to know who your audience will be so that you can tailor your presentation to their wants and interests. A technical briefing for experts will be quite different to a high-level sales presentation to the customer's managing director.

Once you know the audience, you can decide what you can reasonably aim to achieve. Not all sales presentations try to make an immediate sale: your objective might be to create interest. Establish the overall message that you want the presentation to get across: for example, that you offer something that your competitors don't. Before getting into any detailed planning of the presentation, try to get an idea of what the customer is expecting. Are you going to give a formal sales presentation or hold a more open discussion? How long will the meeting be? Let's discuss various steps of objective orient real presentation in detail one by one:-

- **Surprise the audience.:-**There are many ways to surprise your audience, for example, you can show a funny video, use a prop, start by talking to audience members, ridicule something etc.But ensure that your shock will have the desired effect - you want the audience to remain engaged because they liked the surprise or they found it interesting and not because you've upset them so they're looking for faults in your argument. Again, the shock must be suitable for your presentation's purpose and your audience.

- **Ask the audience to "imagine":-** Asking your audience to imagine something or think 'what if' gets them to visualize and use their imagination. You can use this technique to evoke certain emotions which are usually the feelings you experience over the same thing. Emotions are a great way of ensuring that people will continue listening as they are now involved in what you're saying.

- **Start your presentation in the future: -** Deliberative rhetoric is when the speaker tries to get the audience to take action by talking about a possible future. Politicians often use this technique and a well-known example is Martin Luther's "I have a dream" speech. You can also produce a similar reaction from the audience by talking about the past - using lessons from things that were done well, or things that didn't work.

- **Quoting someone:-**However, you must be careful as you can risk sounding cliché and the quote must be meaningful and relevant to the audience and the purpose of your presentation. If you're using slides show a photo instead of text when you're quoting. This will help the audience:

  - ✓ Understand the quote
  - ✓ Remember the quote
  - ✓ Engage their imagination for a greater impact

- **Start with a story**:-To highlight why your topic is significant. For example, if the topic is on the benefits of pets on physical and psychological health, you could present a story or a study about an individual whose quality of life significantly improved after being given a dog. The audience is more likely to respond better to and remember this story than a list of facts. Well-known historical events are good reference points, both to illustrate a point, and to get the audience using their imagination. More experienced and confident public speakers may start a presentation with a joke.

  The audience will be incredibly engaged if you make them laugh but caution must be exercised when using humor because a joke can be misinterpreted and even offend the audience. Only use jokes if you're confident with this technique and it has been successful in the past. As aforementioned, the audience enjoys hearing stories and they're even more interested when the story is directly about you, the speaker, because they get to see the human side of you. Consider

telling a story about a mistake you made or when life wasn't going that well - if relevant to your presentation's aim. People will relate to this as we all have experienced mistakes and failures. The more the audience relates to you, the more likely they will remain engaged. These stories can also be told in a humorous way if it makes you feel more comfortable and because you're disclosing a personal story there is less chance of misinterpretation compared to telling a joke.

- **Touch audience's emotional point: -** is another way of gaining their attention because you're triggering an emotional reaction again. For example, you might ask "Have you found it difficult to stick to a healthy diet?" The audience will now want to remain engaged because they want to know the solution and the opportunities that you're offering.

- **A pre-prepared video: -** can provide a strong presentation opening and get people to pay attention before you start speaking. Some speakers show a video as the audience are arriving and getting settled - they may begin by reflecting on the video.

- **Ask the questions:-**You can conduct polls using your audience or ask questions to make your audience think and feel invested in your presentation. There are three different types of questions:

    A. <u>Direct questions</u> require an answer: "What would you do in this situation?" These are mentally stimulating for the audience. You can pass a microphone around and let the audience come to your desired solution.

    B.<u>Rhetorical questions</u> do not require answers, they are often used to emphasizes an idea or point: "Is the Pope catholic?

    C. <u>Loaded questions</u> contain an unjustified assumption made to prompt the audience into providing a particular answer which you can then correct to support your point: You may ask "Why does your wonderful company have such a low incidence of mental health problems?" The audience will generally answer that they're happy. After receiving the answers you could then say "Actually it's because people are still unwilling and too embarrassed to seek help for mental health issues at work etc."

- **Statistics:-**You could begin by sharing a surprising statistic which you can personalize to the audience for a larger impact, for example, you could say "In

this room, over 70% of us are going to..." or "Look to the person on your left..."You can also combine a statistic with a leading question, for example "What percentage of the population do you think...?" The audience should be shocked when you provide them with the actual answer.

Make sure you don't go overboard with statistics or use complicated data especially in the introduction as you may lose the audience. These techniques don't only apply for introductions - they can also be used throughout your presentation to engage and persuade your audience. Try different techniques to find out what works best for you and practice as much as possible. With a powerful opening prepared you'll feel far less nervous during the rest of your presentation.

2. Well define structure of presentation: - The basic structure of any sales presentation includes five key points: Build rapport with your prospect, introduce the business topic, ask questions to better understand your prospect's needs, summarize your key selling points, and close the sale. Think about the three major selling points of your product or service.

Thus, A good selling presentation focuses on a few key points that you need to get across to support your overall message. The key points are put together in a logical argument, together with any supporting evidence or visual aids that will make your presentation more convincing. One of the best known of all presentation tips is to say everything three times. So, as well as the main body of your presentation, you introduce your key points at the beginning and summaries them again at the end.

Once you have the structure organized, it's worth drawing up notes you can speak from - not a full script - and practicing. Try to build some flexibility into your presentation in case a particular point doesn't work well, you run short of time or the system on which you planned to show your visual aids isn't working. Once you are happy with your presentation, sit with a blank sheet of paper and write down and answer any questions you think you may be asked. Ask a trusted friend to listen to your speech and get them to ask you some questions too. Ask them to give you feedback on your answers to their questions.

3. Effective sales presentation delivery: - It's natural to be nervous when you are about to deliver the presentation. Try to use this nervous energy to give your presentation life and enthusiasm. Deep breaths before you start and a conscious effort to speak slowly can help overcome the appearance of nerves, as can confident body language and projecting your voice. Even if you're delivering a formal sales presentation, you should aim to engage the audience rather than just speaking at them. Regularly look for eye contact with your audience. If appropriate, ask them questions and use their names to involve them. Try to avoid distractions such as giving them handouts during the presentation or being interrupted by ringing phones.

Once you have finished your presentation, you should encourage feedback and any further questions. If you're asked any questions, decide how best to deal with them. You may need to answer a question straight away to overcome a potential objection, but detailed points can often be left until after your planned presentation. From time to time you will be asked questions you don't know the answer to. It is best, in these circumstances, to be honest and open rather than bluff or waffle. A suitable response might be: "I don't have that information to hand right now, but if you leave your contact details with me, I will send it through to you later today."

Don't dismiss or brush off questions. Listen carefully and you will be able to answer both the initial query and address any underlying barriers to making a sale.Last but not least, make sure you agree what the next steps will be. Therefore, An effective sales presentation tells a compelling story, highlights your value proposition, and aligns with your audience's needs and desires. It ends with a strong call-to-action and leads prospects to your differentiators instead of leading with them. These steps will make a powerful sales presentation:-

     i.   Make the presentation relevant to your prospect,
    ii.   Create a connection between your product/service and the prospect,
  iii.   Get to the point,
   iv.   Be animated,
    v.   Use showmanship,
   vi.   Use a physical demonstration and

vii.	Lastly, believe in your product/service.
viii.	Make it short.
ix.	Make it clear.
x.	Explain who your customers are.
xi.	Explain the problem they're facing.
xii.	Explain how your product addresses their needs.
xiii.	Describe what success will look like as a result of using your product.

In addition to the steps above, here are three additional <u>sales tactics</u> and presentation techniques to increase your chances of success with your presentation:-

1. As much as we want to believe purchasing is a rational decision, most of the time you buy that sleek motorcycle or that beautiful dress because of the feeling it sparks inside you. Use that to your advantage.

Capture the imagination of your customers in your pitch and zero in on why they would want your product. For example, they're not buying four wheels and an engine; they're buying something that will take them on a family road trip, to a friend's wedding, or to their next dream job.

Recognize that typical practical considerations such as budget constraints don't always factor in. We all bust our budgets when we see something we really want, and we resolve to fix the budget later.

2. The words you use in your presentation matter. Be persuasive with your word choice but don't be overly aggressive, which risks turning off the customer. On the flip side, don't be too timid either. The customer needs you to lead them to the sale. Don't be afraid to push when appropriate. Feel out your customer during the presentation to determine when the time might be right to ask for a purchasing decision.

3. You won't always land the deal right then and there, and even if you do, it's still good to follow up. Seek to form long-term relationships with your prospects. Act like a consultant, shaping the process to meet your customer's needs to close the deal. By

building this relationship with your customer, you ensure future sales as well as good referrals that could lead to new customers.

11.5 Negotiation Skills

A sales negotiation is a strategic timely discussion between buyer and seller that ideally leads to a deal being closed. In most sales negotiations: Buyers and sellers communicate what they need and where they may be able or willing to make concessions.

There is no shortcut to negotiation preparation. Building trust in negotiations is key. Communication skills are critical during bargaining. Is one negotiation style "better" than another? Most research suggests that negotiators with a primarily cooperative style are more successful than hard bargainers at reaching novel solutions that improve everyone's outcomes.

Negotiation skills are qualities that allow two or more sides to reach a compromise. These are often soft skills such as communication, persuasion, planning, strategizing and cooperating. Understanding these skills is the first step to becoming a stronger negotiator. Other than understanding value, I wholeheartedly believe that fairness is your most helpful quality in a negotiation. If both parties feel they had a win-win and that they reached a fair agreement, they'll be more likely to work together in the future. Here are a few examples of negotiation skills that can make you an excellent negotiator at the workplace:

- Communication is the backbone of negotiation.
- Strategizing.
- Planning.
- Persuasion.
- Listening.
- Problem-solving.
- Emotional intelligence.
- Distributive negotiation.

On the other hand few common mistakes are also prevalent which can fail the entire sales negotiation; we have to very careful about these very important common mistakes to avoid the failure of negotiation. Lets list few of the to our understanding:-

- Failing to Adequately Prepare.
- Assuming Win-Lose Is the Only Option.
- Competing Instead of Potentially Collaborating.
- Letting Emotion Impact Your Judgment.
- Not Having the Right People in the Room.
- Succumbing to Pressure Tactics.
- Not Understanding or Preparing for Cross-cultural Negotiation.

Ever wonder why negotiators approach the situation from completely different viewpoints, and some are unsuccessful while for others, it goes easily and smoothly? It might be that they have similar or very different styles. Without awareness of one's own style, and idea of what style a negotiation counterpart brings and the advantages and disadvantages of working with differing styles, it may make for a bumpier road to successful outcomes.

There are 3 key approaches to negotiations: hard, soft and principled negotiation. Many experts consider the third option principled negotiation to be best practice: The hard approach involves contending by using extremely competitive bargaining

Thus, Negotiators have a tendency to negotiate from one of five styles: competing, accommodating, avoiding, compromising, or collaborative. These are adapted from Thomas Kilmann's conflict styles and tend to correlate well in negotiation, especially given that there is sometimes tension when two or more parties are trying to meet their differing or conflicting needs.

1. Competing:-Negotiators that exhibit this style are assertive, self-confident, and focused on the deal and results. These individuals tend to pursue their own concerns, sometimes at their counterpart's expense, and in the extreme can become aggressive and domineering. On the assertive vs. cooperative scale, this style is higher in assertiveness and lower in cooperativeness. Using the substance vs. relationship axes, competing negotiators tend to be more focused on the substance than the relationship.

2. Avoiding:-Negotiators that exhibit this style are generally less assertive and apprehensive. They prefer to avoid stepping into or creating tension. They stay neutral, objective or removed from the situation or leave responsibility to their counterpart. The individual does not immediately pursue their own interests or those of the other person and there is an element of self-sacrifice in this mode. This style is low in assertiveness and in cooperativeness, and not focused on either the substance of the agreement or the relationship.

3. Accommodating:-Negotiators that exhibit this style focus on maintaining relationships with the other party. They tend to smooth over tensions, minimize differences, and are most concerned with maintaining a good rapport and satisfying the needs of the other party. This style is lower in assertiveness and higher in cooperativeness. These negotiators tend to emphasize the relationship as more important than the substance of the agreement.

4. Compromising:-Negotiators that exhibit this style often split the difference, exchange concessions, and seek a quick middle-ground solution, which tends to end in moderate satisfaction of both parties' needs. This style is intermediate in assertiveness and cooperativeness and more focused on creating a decent agreement relatively efficiently while maintaining some relationship.

5. Collaborating:- Negotiators that exhibit this style are often honest and communicative. They focus on finding novel and creative solutions that fully satisfy the concerns of all parties, and suggest many ideas for consideration before deciding. This style is high in assertiveness and in cooperativeness, promoting both the relationship and the substance of the agreement at hand as very important. These negotiators tend to value taking the time to create optimal long-term outcomes over efficiency and leaving value on the table.

All styles serve, and each has advantages and risks. And sometimes one style may be more useful in certain situations than in others. For example, as an accommodating negotiator, one should recognize that with more transactional discussions, they may not need to take as much time to build a relationship, if the deal works with their own interests. On the other hand, if they are negotiating with someone they will be involved

with for the long-term, whether that is a new client or recent hire at the company, they will want to work on ways to develop a strong working relationship and strive for the best deal to avoid setting a bad precedent.

In order to be the most effective negotiator, one must recognize one's own tendency, assess as best as possible their counterpart's style, and adjust their own to allow for smoother negotiations. In general, if negotiators strive for using a collaborative style, they incorporate the relationship focus of an accommodating style, the assertiveness on own needs of a competitive style, the caution and observational skills of the avoiding style, and value maximization often neglected by the compromising style. 5 Sales Negotiation Strategies that Work

- Sell first. Negotiate second.
- Don't negotiate on price.
- Never interrupt a customer and, by all means, always allow the customer to speak first.
- Time is the greatest negotiating tool you have. ...
- Don't start any negotiation until you know exactly what it is the customer wants.

While the collaborative style may not make sense in all negotiations, this mode can be especially effective with business situations because of the long-term nature of the relationships internally and externally, as well as the need for strong substantive negotiation outcomes.

Effective sales professionals possess a particular mindset during negotiation steps because it is equally competitive and helpful. Certain steps of during negotiation enable salespeople to identify opportunities, relate to customers, persuade consumers to act, and close a sale. Let's try to understand various steps of negotiation, so that we can clear the concept in more strategic way:-

Step A– Prepare

There is no good short cut to Preparation. It is the first stage of any negotiation, though people often don't give it the time it warrants. They often charge into the

Information Exchange Step, or even directly to Bargaining. Preparation starts with determining if this is a potential collaborative situation so that you can select the better strategy. Next, you spend time researching information, analyzing data and leverage, and identifying interests and positions. Finally, you have to consider the relationship you want to build. Let's try to understand five key elements of negotiation preparation:-

1. **Initial points to consider during preparation of presentation:-**
   -Should I be negotiating?
   -What I need to know
   -Organize information

2. **Research covers following segments:-**
   -Players and stakeholders
   -The fact base
   -Standards and benchmarks

3. **Analysis includes the following acre's**
   -Re-organizing data
   -Anticipating what will happen
   -Assessing strengths and risks

4. **Identification of various factors:-**
   -Interests
   -Positions: Goals, Most Desired Outcomes, and Least Acceptable Agreements
   -Best Alternatives to a Negotiated Agreement
   -Concessions

Step B– Information Exchange

The Information Exchange Stage occurs when you begin to engage the other side, share information and explore options that address interests , what you each need, as opposed to positions ,what you each ask for later in the Bargaining Stage. We will discuss the difference between interests and positions and how critical they are to successful negotiations in depth later. It is critical here to focus on building rapport and trust, without which neither party will feel comfortable sharing interests. One way to build the relationship is to do your "social homework" in this stage by finding out and

showing interest in the other party's business culture, personality, outside interests and values. Four Critical Assessments are made in the Exchange Stage:-

- **Trustworthiness** – Are they honest and dependable?
- **Competency** – Are they credible and able?
- **Likeability** – Can you work well together?
- **Alignment of Interests** – Are your interests aligned with theirs?

If your assessment in this stage of the negotiation process is negative, you make adjustments or implement your Best Alternative to a Negotiated Agreement.If your assessment in this stage of the negotiation process is positive, you move forward. With trust developed, you explore for creative solutions that address interests and see the potential to create real value. You will be eager at this point to dive into the Bargaining Stage. Pause to create one critical tool that will guide and protect you for the stages that follow. That is the development of a joint agenda.

Step-C – Bargain

Bargaining is where the "give-and-take" happens. If you think success means all take and no give, you won't capture real value. You make and manage your concessions in bargaining. When you give and take that which satisfies both parties' interests, you will build a lasting relationship *and* a fruitful outcome. During the Bargaining Stage, you continue to create value, and with trades, finally capture value. There are two tools you will need from your negotiator's toolbox in the Bargaining Stage, the Probe and Creativity. Bargaining is your "face-time" with the other person, even when you are not face-to-face.

Like all interpersonal relations, emotions can help or hinder progress. Specific negotiator's tools and behavioral skills matter greatly here. Finely tuned communication skills are critical at this juncture as you explore options to create value and execute trades to capture value. You will be most successful when solutions satisfy everyone's needs.

Step D – Conclude

This is the point in the process when you reach an agreement. It is important to find out if the other side has the capacity to follow through with the things they said they would do. This is the time to put down in writing the common interests and produce a comprehensive summary of the agreement. Sometimes you have to consider strategies here to lock-in a commitment. Be sure to agree on next steps as well. And never forget to thank the other party for their willingness to negotiate – even when no agreement is reached.

Step E – Execute

This one is implementation of the agreement. This stage may also be viewed as preparation for the next negotiation opportunity. You must ensure that you follow through on promises made in order to strengthen the relationship and to build trust. You will learn more in this stage about the other side. This will lead to easier negotiations next time around. And remember that during execution you are likely to apply the total negotiation process and Best Negotiating Practices (BNPs) to unexpected events, failures in performance and the inevitable changes.

Ideally a successful negotiation is where you can make concessions that mean little to you, while giving something to the other party that means a lot to them. A good negotiation leaves each party satisfied and ready to do business with each other again. Lets discuss few Do and Donts during the hole bargaining process it will help to take advantage over customers to close the sale:-

Do's during Negotiation

- Reframe anxiety as excitement,
- Anchor the discussion with a draft agreement,
- Draw on the power of silence,
- Ask for advice,
- Put a fair offer to the test with final-offer arbitration,
- Focus on the first 5 minutes,
- Start higher than what you'd feel satisfied with,
- You should make your arguments first,
- Show that you're passionate,

- Convince the other party that time is running out and
- Provide them with as much data as possible.

<u>Dont's during Negotiation</u>

- Don't make assumptions. The key to a successful negotiation is being prepared, and that means a lot more than knowing numbers and facts,
- Don't rush. Negotiations take time, especially if you want them to go smoothly,
- Don't take anything personally,
- Don't accept a bad deal and
- Don't over negotiate.

11.6 Summary

Sales skills are the characteristics and competencies sales representatives depend on to support customers in making purchases and resolving issues. Effective sales people acknowledge that creating a successful buyer experience uses many interpersonal skills, is more than a consumer's satisfaction with their purchase, and deals with overall brand engagement. Customers seek quality interaction and a fulfilling buying experience. Skilled sales people provide this service using a combination of techniques and knowledge to identify customer needs and connect with them individually. A positive buying experience influences brand loyalty with customers, improves the likelihood that existing customers will refer new ones, and helps meet sales goals.

Effective sales professionals possess a particular mindset that's equally competitive and helpful. Certain skills enable salespeople to identify opportunities, relate to customers, persuade consumers to act, and close a sale. Whether you're joining the workforce or transitioning to a sales career, it's important to understand the qualities needed to improve your sales skills. Learn what sales skills are, review examples of key sales skills with tips on improving them, and ways to include them on your cover letter and resume while searching for a sales job.

After the above discussion, now we effectively analyze that communication plays an important role in sales management. Sales professionals need to be good commu A sales negotiation is a strategic timely discussion between buyer and seller that ideally leads to a deal being closed. In most sales negotiations: Buyers and sellers communicate what they need and where they may be able or willing to make concessions.

There is no shortcut to negotiation preparation. Building trust in negotiations is key. Communication skills are critical during bargaining. Is one negotiation style "better" than another? Most research suggests that negotiators with a primarily cooperative style are more successful than hard bargainers at reaching novel solutions that improve everyone's outcomes.

11.7 Key Words

- **Selling skills:-**The ability to build relationships with customers, persuade them to make purchases and generate repeat business is at the heart of selling.

- **Soft skills**:- These are the abilities a salesperson has to build relationships, encourage productive conversation, and provide an exceptional customer experience.

- **Practice mirroring:-** Use the same phrases and language your clients use when discussing options and practice non-verbal communication

- **Listen with intent:-** Focus on what others say to grasp the full message.

- **Sales communication:-** is to inform, persuade and remind customers about products and brands giving them reason to buy.

- **Sales presentation:-** It persuade a customer that they should purchase a product or service.

- **Direct questions:-** A question which require an answer.

- **Theoretical questions:-** It do not require answers, they are often used to emphasizes an idea or point.

- **Loaded questions :-** This contain an unjustified assumption made to prompt the audience into providing a particular answer which you can then correct to support your point.

11.8 Important Questions

13. What do you mean by selling skills? Define its importance in Indian business scenario.

14. What are the various types of skills during selling? Describe all of them in detail.

15. How communication skill is different from negotiation skill?

16. Discuss the process of negotiation during selling, in detail?

References

- S.A Sherlekar (14th edition); Marketing Management; Himalaya Publishing House, Mumbai
- Michael.J.Etzel, Ajay Pandit,Bruce. J.Walker, William.J.Stanton (13th Edition), Marketing ,Concepts and Cases; Tata McGraw hill Companies, New Delhi.
- James.R.Ogden, Denise.T.Ogden (2018); Integrated Retail Management; Biztantra, New Delhi.
- Biplab.S.Bose,(2017); Marketing Management; Himalaya Publishing House, Mumbai
- Kothari, Mehta, Sharma (2012); Marketing Management; RBD Publications, Jaipur
- Phillip Kotler, Kevin Lane Keller, Abraham Koshy, Mithileshwar Jha,12th edition, Marketing Management; Pearson Prentice Hall; New Delhi.
- V. S. Ramaswamy, S. Namakumari; 2009; Marketing Management; MacMillan Publishers Pvt Ltd.
- Kotler, Keller, Koshy, Jha; 2009; 13th Edition; Marketing Management: A South Asian Perspective.
- Gavin Kennedy, John Benson and John McMillan (2010) *Managing Negotiations,* London: Hutchonson Business..
- R.L. Bhatia (2004) Development Presentations Skills, New Delhi: Wheeler Publishing.
- Rajan Saxena (2003) Marketing Management, Tata McGraw Hill Publishing Company.
- S. Neelamegham (2008) Marketing in India Cases and Readings, Vikas Publishing House Pvt. Ltd.: New Delhi.

UNIT-12   Retail Communication: Sales Displays

12.0 Introduction

In the previous unit, we have discussed the concept of selling skills, because they are critical in organizations that rely on ongoing buying from customers or clients. The ability to build relationships with customers, persuade them to make purchases and generate repeat business is at the heart of selling. Selling skills are the "blood" that give efficiency, effectiveness, strength and flexibility to sales professionals, they are developed through experience, sales coaching, and training. This present unit will describe the various concepts od sales displays, which are very important component of retail merchandising in current business scenario of Indian markets.

12.1 Objective

After studying this unit, you will be able:-

- To understand the concept of Retail Communication

- To analyze the , Sales Display

- To understand the Types of Sales Display and

- To describe the path of Effective Display Management

12.2 Retail Communication

To run a successful retail business, one needs to form good relationships with the customers. But effective retail communication starts *within* business and expands outwards towards the customers. Without effective internal communication, it is difficult to communicate in a way that builds a bond with the customers. So, one might be asking oneself: what is retail communication? The answer is retail communication that refers to any type of communication that takes place within an organization or extends outwards towards the customers.

A retail communications program should focus on more than just a specific transaction. Objectives should center on enhancing the total shopping experience, which increases customer satisfaction and encourages brand loyalty. **The five important steps to implement it are as follows:-**

1. Developing a retail communication programme.
2. Device the Communication Strategy.
3. Preparing the Communication Budget.
4. Implementation of Communication Programme.
5. Evaluating the Communication Programme.

As the needs of shoppers continue to evolve, it's crucial for your retail communication program to evolve with them. In the past, shoppers frequented brick-and-mortar stores and mainly relied on sales associates for transactions, such as pricing of

merchandise and processing sales at cash registers. Today, shoppers not only demand the flexibility of online shopping, but they also expect better and more comprehensive service from retailers.

If you want to meet the needs of a changing market and maintain a competitive edge that attracts modern shoppers, you must redefine your retail communication strategy. Key objectives include:

- Enhance Customer Experience: Choose mobile apps that allow customers to shop online from any device. Maintain a strong social media presence to encourage brand engagement and foster community.
- Improve Customer Support: Surveys conducted by Sales force indicate that email, live chat, texts, and Facebook messages are the preferred methods for shoppers to provide feedback, resolve issues, and obtain support.
- Maintain Brand Consistency: Sales training materials and product user guides should be easily accessible online.
- Provide Real-Time Tracking and Inventory Tools: Implement a system that allows for real-time tracking of inventory levels, product order status, and follow-up sales.
- Streamline Communications: Select a retail communications program that can be used on any device and by all employees in your company, with features such as call recording, team messaging, and automated responses.

Nearly three-quarters of customers say that friendly customer service representatives can make them like a brand more. Clearly, effective communication impacts customers deeply. Listening to and acting on customer complaints. Leveraging positive customer feedback to improve brand reputation. Therefore, A retail display is **anything in a store that houses or promotes your product**. A visual merchandising strategy focuses heavily on the appearance of retail displays, as they are often the first point of contact between your product and the shopper. Any brand that sells at retail will use retail displays.

Retail displays are a strategic aspect of your business that **can help attract customers, retain their interest, and increase sales**. ... Effective retail displays attract

potential customers to your store. When you're designing displays, choose engaging colours, décor and stock arrangements. Retail product displays can be broken down into three categories: **standalone and point of purchase (POP) displays**, store shelving displays, and clothing and furniture displays. As you test your visual merchandising strategy, you'll learn what your customers like and what you can avoid in the future.

12.3 Sales Display

Sales displays **represent an important component for all sales activities**. Only the correct and attractive presentation of goods makes the potential customer aware of your product and in the end convinces the customer to buy the product. Therefore, **sales display** is in-store presentations and exhibitions of the products along with relevant information, believing in the concept of ''come and get it, we have it''. Effective displays increase the interest of the shoppers in the products on display and lead to increasing the level of the pass-by ratio and hence sales. Sales displaying have come to form an integral part of store atmospherics and play a useful role in retail store promotions.

Even though the sophisticated marketing mechanism provides us with the latest methods of selling like sale by grades-by description with latest methods of selling like sale by grades-by description, still sale by inspection is predominant in cases of products where buyers are not satisfied with mere newspaper or magazine advertising. They insist on inspection before the decision to buy.

A showroom is a specially designed room or room-cum-office, rented or owned, located in the prominent place of the sales territory used mainly for display, demonstration, and after-sales services. Practically all the industrial and consumer durable manufacturing houses have their show-rooms in all the important cities of the country.

The method of merchandise display can have a dramatic impact on image and space productivity. Different merchandise presentation methods have been shown to strongly influence buying habits and stimulate consumers to purchase more. There is a certain " psychology of merchandise presentation" that must be carefully considered in

developing merchandise presentation schemes. After the above discussion now we can list following as objectives of sales display:-

1. Drive brand image and brand sales.
2. Strengthen brand awareness and support brand recognition at the point of sale.
3. Increase sales and multiple sales through the presentation of merchandise, windows, and POS material.
4. Present concept and color, coordinate merchandise.
5. Create a comfortable, enjoyable, and exciting shopping environment for consumers.
6. Bring about maximum product exposure.
7. Provide sales and product information to customers.
8. Ensure security and allow strong of stock.
9. Generate additional sales through impulse buying.

In pursuit of the above objectives, displays perform a three-fold job:-
1.Attract people who otherwise might not go into the store, such as passers-by out window shopping, to come inside,
2.After they are inside the store, whether they came in to buy or just to look, expose them to buying suggestions by counter displays and literature,
3.Those who come in to buy something, induce them to buy a larger supply by smart packaging or display, or to buy additional products.

The power of sales displays in accomplishing the above objectives can be felt by visiting retail stores such as Red Tap, Raymond's, Siyaram's, Titan, Maruti, Benetton, Maharaja Kitchen Collection, Crompton, MRF and Le -Copper Shoppe to name a few. The effect of sales display is remarkable in case of company operated showrooms. However in case of pharma products the effect is of low degree and also limited to OTC products. In short, sales displays project a retail outlet, as well as a product's personality, create store atmospherics, stimulate desire to buy, trigger moods and act as silent sales people.

12.4 Types of Sales Display

One of the most important factors of a thriving retail store is the impact the displays have on customers. Picking the right types of retail displays in a store, however, is a daunting task, especially if one is not conversant with the prevailing marketing trends. Understanding market dynamics and customer behavior is key when determining the type of displays to install in your retail store. Good displays act as powerful traffic builders and result in raising the store sales.

Going by the increase in competition at the market place and the felt need of each retailer to attract more shoppers to its store, the question facing them today is not whether to use displays or not but how to use displays effectively.

Blending creativity with principles of display designs, nature of product and Specific market needs, has resulted in the creation of impact making sales displays which can be broadly classified into the following types. Before gaining familiarity with the different types of displays it will be desirable to remember that a creative retailer for gaining the unique display edge may make use of a combination of some or many of the display types discussed below in detail one by one:-

- **Assortment Display:** In this type of display a retailer puts on display a wide variety of merchandise for the customer. This display is organized in two ways – open and closed. The open display provides an opportunity to the customer to feel or try the product. Self service stores, Super Bazars, Kendriya Bhandars and ready-to-wear garment stores commonly use open displays. The closed displays, on the other hand, keep the products within the glass windows or pre-packaged form. Counter service retail stores and those stores that sell expensive items (say jewellery) or fragile products generally use closed displays.

- **Gondola Retail Display:-** These are two-sided displays with adjustable shelves. This type of retail store display is used to merchandise within your store. The freestanding frames are made of steel and can carry heavy goods. Gondola style shelving is especially popular in grocery and pharmacy stores due to their ability to hold many products. They can be adjusted to fit different-sized items. One disadvantage, however, is that Gondola displays are expensive.

- **Slat Wall Display:** - Slat wall is one of the most versatile shelving options. It can display a wide variety of merchandise and can be wall mounted or freestanding. They consist of panels with recessed horizontal spaces where shelves, hooks, pegs, and hangers are displayed. Slat wall displays are affordable and do not require an expert to mount them. The cost could increase if a professional installer is needed.

- **Theme Displays:** These displays work on the principle of unifying the merchandise on display around a common theme or event, and accordingly call for the creation of appropriate mood or atmosphere in the store. These displays aim at enhancing customer enjoyment while involving him more deeply in the merchandise and the event.

  The theme may relate to national, international or local event, a season, festival or even could be internal to the store. Some popular themes include Republic, Independence and 2nd October Days at Khadi Gramudyog, New Year, Christmas, Easter, Diwali, Pooja and even off-season sale themes at other stores. Bridal themes at saree shops, holidays themes at travel agency firms, school opening theme sat shoe stores, etc. are some more examples of theme displays.

  Bata, probably, was among the first to introduce the theme displays, initially for their range of footwear, and now for their whole host of accessories. Imagination can perhaps be the limiting factor to such creative theme displays one comes across now.

  For instance, once around Christmas Raymond's had a window display depicting the story of three kings and the shepherds with the underlying aim to display Raymond's blankets which were used as coats by the shepherds. Similarly, Inters hoppe played on the "denim magic" theme – even dressing windows in denim blue to sell its range of jeans and jean accessories. Renowned beautician Shahnaz Hussain projects the ethnic image to promote her herbal range of cosmetics at her Saloons in India and abroad.

- **Grid Wall Displays:-**Grid wall displays feature wire panels, which can accommodate a variety of hooks and different shelf options. Since they are easily customizable, they are a perfect choice for a trader with limited space. They look great on your wall or even as freestanding fixtures. Just as the slat wall, a grid

wall display is easy to mount. It is also affordable. However, the cost could go up in case you need the services of a professional installer.

- **Life-Style Displays: -** Using the market segmentation approach life-style displays are used by retail stores focusing on the activities, interests and attitudes of a segment of customers. The purpose is to make the retail store appear homely for the target customer and give him the feeling that he has come to the right place for shopping. Benzer, Lux, Red Tape and FUs garment stores, Bajaj household furniture and items represent some examples of these displays.

- **Table Displays: -** Table displays are made from different materials. They can be custom-made according to the needs of a client. Place them near the entrance of your store to display craft items or other small items. They are excellent at enticing a buyer to purchase items they had not planned to buy.

- **Classification Dominance Displays:** This type of display focuses on exhibiting a large variety of width and depth of the product lines carried by the store. This is organized on product basis which are put in vertical order for displays on the walls, on the selling floor or sometimes all over. In case of baby foods in a medical store, this display is usually seen.

- **Window displays: -** Window displays about the product attract customers to the retail shop. Displays should be attractive and creative enough to encourage people to come in for a closer look, and perhaps to buy. They should be placed strategically near high foot traffic areas in your store.

Creatively display items to entice potential customers to come in and have a closer look. Do not clutter your window display. Instead, only display just enough to prick a customer's curiosity about your products and entice them to step in. If your window display faces the sun, make sure items on display are those that cannot be affected by sun.

Your retail store's display has the effect of improving or depressing your sales. How you set it up will determine whether customers will pass without a second glance, or whether their attention will be arrested by the sheer creativity of your display.

However, the appropriate display for your store is determined by the nature of merchandise in a store. There are a number of display types you cannot go wrong with. These include window displays, which attract the attention of passersby and entice them to come into your store for a closer look at your products. Bargain items on sale should be prominently displayed at strategic areas of your store to increase conversion rates. Your most attractive items should be displayed at the front of your store to attract customers.

12.5 Point-of-sale Display

A point-of-sale display (POS display) is a specialised form of sales promotion that is found near, on, or next to a checkout counter (the "point of sale"). They are intended to draw the customers' attention to products, which may be new products, or on special offer, and are also used to promote special events, e.g. seasonal or holiday-time sales. POS displays can include free standing display units (FSDU), shelf edging, dummy packs, strut cards, standees, hanging signs, counter display units (CDU), display packs, endcaps, display stands, mobiles, posters, and banners. POS can also refer to systems used to record transactions between the customer and the commerce

Usually, in smaller retail outlets, POS displays are supplied by the manufacturer of the products, and also sited, restocked and maintained by one of their regular salespersons. This is less common in large supermarkets as they can control the activities of their suppliers due to their large purchasing power, and prefer to use their own material designed to be consistent with their corporate theme and store layout.[4]

Common items that may appear in POS displays year-round are batteries, soft drinks, candy, chewing gum, magazines, comics, tobacco, and writable CDs and DVDs. These displays are also useful in outlets with limited floor space, as there tends to be much wasted space around counters.

The displays are normally covered with branding for the product they are trying to sell, and are made out of cardboard or foamboard, and/or a covering over a plastic or Perspex/Plexiglass stand, all intended to be easily replaceable and disposable. This allows designers to make full use of color and printing to make the display visually appealing.

Some displays are fixed or non-disposable. These may include lighting to make the display more visible and may also contain a cooler for drinks or ice cream. Some are no more than a metal basket, with no design on the outside, simply showing a price. These types of display are easier to refill.[

Free standing display units are designed to attract the attention of customers and promote key retail products or messages. They are often placed strategically within the customer journey, and utilize bright colors and graphics to stand out visually and encourage shoppers to buy. FSDUs are generally made from cardboard. This reduces production costs, and makes them easy to transport and assemble, while being robust enough for use in a retail environment.

12.6 Design Principles of Sale Display

People love to browse through stores while they go out for a walk. Nowadays, retail stores focus on attracting the attention of passersby and enticing them to first come into the store, and then, hopefully, to buy something. It sounds quite simple, but in fact, there is plenty of effort involved. Visual merchandising is an art form of capturing the attention of customers, as well as an art of persuasion, using visually appealing strategies with the aim to boost profits. It all boils down to having an outstanding shopping experience, which will encourage customers to make a purchase.

Visual merchandising does not only help a store attract customers; it also helps increase sales and gives customers a good reason to come back again. Here are the basic principles of visual merchandising that will help your retail store truly stand out. Whether you are looking to design more attractive retail displays or are new to visual merchandising, here are the essential elements of the concept:

- Color,
- Landscaping,
- Light,
- Space,
- Signage and
- Storytelling.

Effective displays are typically **clutter-free and surrounded by space** to allow all visual focus to be on the products being displayed. The chosen area should be easily viewed as customers enter the store or easily viewed near the register. Therefore, Effective displays result from the use of both the design principles as well as the creative and artistic talents of the designers. Some of the important design principles are discussed below:-

- **Principle of Unity** means that the various elements of display (such as merchandise, display materials, signs, accessories, etc.) appear unified and be seen as a whole and complete unit.

- **Principles of Balance** means a harmony among the components of and items on display. Balance may be formal or informal. Formal balance believes in symmetry, that is, same weight, height or number of items on both the left and right sides of window display. Informal displays aim at being novel and extraordinarily attractive and thus are asymmetrical in nature.

- **Principle of Proportion** concerns with the relative sizes of the various objects of displays. It involves the positioning of objects in a certain pattern'. Popular display patterns are: the step, fan pyramid and zigzag.

- **Principle of Dominance** means dominating the display scene/space by using specially made products/packs of size much larger than the original size, or dominating with the use of unusual special effects as attention arresters/crowd pullers. Use of giant Easter eggs in the show window of Flury's at Calcutta, of snakes and ladder game at Raymond's and placing of chotiwala person at a restaurant in Rishikesh near Haridwar are some examples of displays based mainly on this principle.

- **Principle of Contrast** concerns with focusing on a product by stressing on the contract, such as, displaying a light shaded product in dark shade background, a small cute offering against the giant size product in the background, using contrasting colours of lights, etc.

12.7 Effective Display Management

In order to get maximum advantage from sales displays it is necessary that these be organized and managed effectively. The process of display management can be divided into two phases:-

A. Planning of Sales Displays:- The planning phase of sales-displays covers dimensions such as :

> • Optimal use of display space
>
> • Use of cost-effective fixtures for display which provide maximum exposure to the merchandise,
>
> • Type and pattern of displays to be used and their suitability with both the available store space as well as store layout ; and
>
> • Cost and frequency of change of displays in the retail store.

B. Execution of Sales Displays:-This phase of display management includes:-

> • Ensuring adequate stock of merchandise to be displayed as well as in inventory
>
> • Earmarking area and allocation of speck space of different displays and fixtures
>
> • Checking the quality and features of the display fixtures procured for use in displays
>
> • Attending to display related aspects such as store name board, store front, display window size, style and colour of display signs to be used, and display window lighting and atmospherics including floors, walls, ceilings, ventilation, cooling, heating etc.
>
> • Organizing men and materials for the display including selection of outside experts, if any, and coordination with other employees of the store
>
> • Instructing store staff on handling of displays and merchandise, and - arranging for timely advertising and publicity of the store.
>
> • Ovid Riso in his edited book "Sales Promotion Handbook" cites the following requirements for a good product display:'

1) It must be easy to set up, and sturdy to stand up well. Should have its own easel or base and not require fastening, tacking or attaching to any other fixture.

2) It should illustrate the product in use if there is the slightest chance if consumer cannot see at a glance exactly how to use it.

3) It should be colourful, well designed and simple.

4) It should be informative, including the price.

Given the importance of proper planning and execution, incorporating creativity and innovativeness in sales displays emerge as the primary need in its effective management. It, therefore, requires the use of outside experts as well as search for newer materials to achieve distinctive edge in the product display. The other requirement relates to the frequency at which display designs are changed which in turn is linked to the budget available for this promotional activity. Big budget companies are known to change their displays quite frequently and for this purpose even employ interior decorators and designers and some have an in-home merchandising and display department.

C. Containing Retailer's Cooperation: - Sales displays at the retail store can be organized either singly by the store owners or jointly with the manufacturers of the products. The manufacturer sponsored product displays at retail stores carry one more important dimension. This relates to selling of the display scheme to the retailers and obtaining their cooperation for proper usage of display material and scheme.

D. Motivating and Training Retailers:- This relates to the zeal with which the retailers support the manufacturer's efforts. In other words, for maximising results from sales displays, participating retailers need to be convinced of the objectives, and trained as well as motivated to get their utmost cooperation in the conduct of sales displays. The remaining part of this unit covers this aspect.

12.8 Summery

Sales displays have acquired a place of significant importance in modem retailing. These help in both enhancing the store image as well as attracting shoppers to the store. Effective sales displays make use of aesthetic principles and are generally built around a popular theme suiting the market needs of the product. Sound management of sales displays requires an eye for detail on the part of sponsors so far as minute details relating to planning and execution of sales displays are concerned. Retailers• play a critical role in the success of sales displays and hence require careful handling and proper motivation.

12.9 Key Words

- **Cut-case display:** Inexpensive display, where merchandise is left in its original cartons/cases.
- **Dump-bin displays:** Case/Bins display which carry a large number of sale items.
- **Ensemble displays:** Display where related or coordinated merchandising is put together.
- **Fan display arrangement:** Set up vertically, the display arrangement rises from the heavy base and widens drastically as the height increases. Often seen at chocolates, confectionary, and grocery shops.
- **Merchandising space:** Space used for keeping items in stocks or inventory, while not on display.
- **Merchandising:** Planning and presentation of merchandise and services at places and in quantities that best serve the interest of the customer and the retailer.
- **Open assortment:** Display of merchandise inviting access to the customer to feel or try them.
- **Pyramid displayarrangement :** Display arrangement in the shape of a three dimensional pyramid, with each side presenting an attractive triangle
- **Rack display:** Displays of merchandise on racks generally used by textile retail stores.
- **Scrambled merchandising:** A wide variety unrelated to additions to the retail store's original business merchandise.
- **Selling space:** Space in the store earmarked for displaying merchandise, interactions between sales personnel and customers, space of demonstrations, etc.
- **Step display arrangement:** A multi-tiered placing of trays, resembling a series of steps, for display of merchandise on it.
- **Store front:** The total physical exterior of the store itself including entrances, windows, lighting and construction materials, etc.
- **Width of assortment:** Variety of different or unrelated product lines handled by a store.
- **Zig-zag display arrangement :** A display arrangement which uses the basic approaches of step and pyramid display arrangements. The merchandise put on itappears to be zig-zag along the way.

12.10 Important Questions

17. What do you mean by retail communication? Discuss it objective in detail.

18. What are the advantages of sales display? Discuss all one by one with suitable examples.

19. Discuss various types of sales display in Indian retail business scenario.

20. Discuss the concept of "Point of Sales Display".

21. How you will secure effective sales display?

22. Explain various design principles of sales display.

23. Why is it becoming increasingly important for the manufacturer to properly manage the sales displays of their brands? Develop a check list for evaluating the sales display at a retail store.

24. Compare the effectiveness of sales displays in any of the following three cases:
    - Chemist shop
    - Cosmetic shop
    - Consumer durable store
    - Beauty parlour
    - Jewellery shop
    - Book Stores

References

- S.A Sherlekar (14th edition); Marketing Management; Himalaya Publishing House, Mumbai
- Michael.J.Etzel, Ajay Pandit,Bruce. J.Walker, William.J.Stanton (13th Edition), Marketing, Concepts and Cases; Tata McGraw hill Companies, New Delhi.
- James.R.Ogden, Denise.T.Ogden (2018); Integrated Retail Management; Biztantra, New Delhi.
- Biplab.S.Bose,(2017); Marketing Management; Himalaya Publishing House, Mumbai
- Kothari, Mehta, Sharma (2012); Marketing Management; RBD Publications, Jaipur
- Phillip Kotler, Kevin Lane Keller, Abraham Koshy, Mithileshwar Jha,(12th edition), Marketing Management; Pearson Prentice Hall; New Delhi.
- V. S. Ramaswamy, S. Namakumari; 2009; Marketing Management; MacMillan

Publishers Pvt Ltd.

- Kotler, Keller, Koshy, Jha; 2009; 13th Edition; Marketing Management: A South Asian Perspective.
- Gavin Kennedy, John Benson and John McMillan (2010) *Managing Negotiations,* London: Hutchonson Business..
- R.L. Bhatia (2004), Development Presentations Skills, Wheeler Publishing. New Delhi:
- Rajan Saxena (2003), Marketing Management, Tata McGraw Hill Publishing Company.
- S. Neelamegham (2008), Marketing in India Cases and Readings, Vikas Publishing House Pvt. Ltd.: New Delhi.

BLOCK IV

SALES FORCE MANAGEMENT

BLOCK OBJECTIVES:

This Block comprises four units namely Unit 13, Unit 14, Unit 15 and Unit 16.

UNIT 13: Job Analysis, Recruitment and Selection

UNIT 14: Training the Sales Force

UNIT 15: Compensation and Motivation of Sales Force

UNIT 16: Monitoring and Performance Evaluation

UNIT 13: JOB ANALYSIS, RECRUITMENT AND SELECTION

Unit Structure

13.0 Unit Objectives

The objective of this unit is to provide detailed information about the issues relating to sales force management; understand the importance of job analysis for better sales force management; identify, evaluate and prepare lists of recruitment sources for a

company; design the selection process for hiring salesmen for a company; frame application form and conduct interviews for screening the candidates; and select and administer psychological tests in the selection process.

13.1 Introduction

Attracting and selecting new sales personnel is an important aspect of the sales manager's job. This unit on job analysis, recruitment and selection will tell you about the procedures used for obtaining sales recruits with the potential capability of becoming good sales people. Once this pool of talent has been generated, it becomes feasible to select the individuals who match the needs of the organisation. Selection is a step-by-step procedure that the sales managers go through to staff the sales organisation. Selection which follows recruitment, requires that the sales manager must reverse the roles and become a buyer instead – a buyer of sales talent and potential.

13.2 Nature of the Job

The field sales personnel in the Pharmacy industry are called the Medical Representative. The nature of the job is similar to that of other industries. However, there are few specialities in pharmaceutical marketing and those skills are learnt by the Medical Representatives. All sales related jobs, irrespective of the type of

industry, have very distinctive characteristics. Some of the characteristics are as follows:

i) As sales personnel work in the field, away from the head offices, they are responsible for managing their territories or accounts. Therefore, sales personnel are expected to make their own decisions for planning and executing their individual activities.

ii) Most sales persons, while on their journey cycle, get fewer opportunities for interactions in person with their supervisors. Most of the time they provide feedback or receive instructions, telephonically or through fax in their hotel.

iii) The third characteristic of the field sales job is that the sales personnel remain away from their home and family for days together. This is a regular feature. In some consumer product companies sales people travel for as many as 21 days in a month.

iv) Another important aspect of the sales job is the job monotony. Each sales person is doing the same work, repetitively with different customers. For example, a medical representative makes the same presentation to all the medical doctors, day-after-day.

v) Lastly, success in a sales call doesn't depend on an individual's effort. It may so happen that the customer doesn't need your product or the customer was not happy with his previous experience, on delivery or after sales service or spares. All field sales jobs create, therefore, a normal tendency to get disheartened or discouraged.
Each of the above characteristics has specific implications for recruitment and selection, and therefore, it is recommended while you are developing your recruitment and selection policies, you should not overlook the above points. Accordingly, job specifications should be decided.

SALES MANAGEMENT

Factors Defining a Firm's Sales Job

Nature of the customer :	Target Market – whether vertical or horizontal, individuals, corporations, institutions or Govt., Level of organisation to be addressed etc.
Nature of the offering :	Tangible or intangible, complex or simple, stand-alone or a package, size of the portfolio etc..
Sales Environment :	Factories, office or home-based, personal communication or telecom/ correspondence etc.
Geography :	Number and locations of salespersons, connectivity etc.
Sales styles :	Consultative, Relationship, Display or Hard closing etc.
Marketing Preference :	Expansion (New markets, new accounts), consolidation or both.

Table.13.1: Factors Defining a Firm's Sales Job

Operating a Sales Force

This topic throws light upon the eight major activities involved in operating a sales force. The Major Activities are: 1. Setting Sales Objectives 2. Organising the Sales Force 3. Recruiting and Selecting the Sales Force 4. Training the Sales Force 5. Compensating the Sales Force 6. Motivating the Sales Force 7. Evaluating and Controlling the Sales Force 8. Managing Sales Agents.

1. Setting Sales Objectives:

All good managers, before setting out to accomplish a-task, first give much thought to what the task should or must be.

In other words, they set objectives. Sales objectives should meet the situation by which marketing objectives are generally evaluated.

They would be precise, measurable, include a time-frame and be reason-able, given the organisation's resources, overall promotional strategy and the com-petitive environment in which it operates.

Sales objectives can be expressed in various ways. Among these are sales totals in rupees, sales totals in units of products, increases over previous sales calls completed, sales calls made to new customers, and rupee or unit sales per sales call made. A

market share objective might be to increase market share by 10% every year for the next five years.

2. Organising the Sales Force:

Since non-retail sales forces should normally contact their customers either face to face or by telephone, sales departments have some responsibility. Contacting cus-tomers regularly leads to a better understanding of customers' problems and needs and provides the sales representatives with an opportunity to develop personal relationships with the client.

However, for this some form of organisation is required to avoid the practice of several company representatives calling on the same cus-tomers where this is unnecessary. Duplication of calls is a waste of resources and can annoy the clients.

3. Recruiting and Selecting the Sales Force:

The third important function of the sales manager is the personnel one. It starts with finding and hiring individuals in the sales department of an organisation. Finding the person who is both interested in a sales job and qualified to fill it requires that the sales position be systematically evaluated so as to determine what it requires. No one is a 'born salesperson'.

Sales-people, no matter what their qualifications, are not universally acceptable in all selling situations. Thus, the sales manager must decide what characteristics a given sales position requires. The job requirements for an order-taker may be quite different from those of an order-getter.

These requirements must be carefully thought out and matched with job candidates, not only for the sake of the sales organisation but also for the sake of the individuals hired. Clearly, the task is to get the right person for the job.

Some traits and accomplishments commonly considered when recruiting sales personnel are educational background, intelligence, self-confidence, problem-solving ability, speaking ability, appearance, achievement orientation, friendliness, empathy and involvement in community organisations.

4. Training the Sales Force:

After sales personnel have been recruited and selected, they must be trained. Training programmes vary from company to company. Some companies use an apprentice-type system by sending the newcomer into the field with an experienced sales person to 'learn the art of selling'.

Others put the recruit through an intensive training programme at headquarters or at a regional office before actually putting him (or her) out in the field. A few organisations believe in a 'sink or swim' method whereby new people are sent out on their own to succeed or fail.

A typical sales training programme is likely to cover the following areas:

(1) Company policies and practices;

(2) Industry and competitor's background;

(3) Product knowledge and selling techniques.

In many successful sales organisations, training to develop the skills of experi-enced sales personnel is an on-going process. Most sales representatives can benefit from a refresher course, a few days' learning about new products, or just a break from their regular schedules. Thus, continuing learning is often carried out at the home office, at sales conventions, or then at a local hotel or conference centre.

5. Compensating the Sales Force:

Sales work is generally visible. It involves the attempt to achieve clearly measurable results. For this reason, most sales managers feel that sales people who achieve the highest performance, in terms of some specific measure, should receive the highest compensation.

Financial incentives are not the only motivations of a sales person, but they are important and deserve the sales manager's close attention. The ideal compensation plan for sales people should be simple so that disagreements over the size of pay and bonuses might be avoided.

6. Motivating the Sales Force:

For some people, selling itself is highly motivating. Yet most sales people need occasional support from management. Sales contests, bonus plans, prizes and trips to be made and sales conferences in exciting cities, like New York, Paris, Tokyo and London can all be of great help to the sales manager who is seeking to keep sales force motivation high.

Periodic sales meetings are also useful, both for creating a feeling of group support and mutual interest as well as for providing a time for training and for spreading information.

7. Evaluating and Controlling the Sales Force:

An organisation's overall marketing plan must be translated into a series of area sales plans or sales plans that specify regional, district, or other territorial goals. Evaluation of a sales manager's or a sales representative's performance is based on whether he (she) meets the prescribed goal or objective.

8. Managing Sales Agents:

Many marketing organisations have no sales force of their own because they use selling agents or manufacturers' agents. In these organisations sales managers face the problem of managing sales people who are not under their direct control. Dealing with agents may require special care and skill but good sales managers can prove their worth by handling these relationships fairly and smoothly.

13.3 Sales Job Analysis

Sales force management is the personnel function in the marketing department of an organisation. The issues in sales force management are, therefore, the same as that of the personnel management. However, these issues relate to only those personnel who work in the sales department.

The starting point of all sales force management activities is the Job Analysis, as shown in Fig. 13.1.

Figure13.1: Activities involved in managing the sales force

In fact, the job analysis relates to the identification of job objectives, duties and responsibilities, analysis of working conditions, performance norms and the position in the organisation hierarchy to identify the reporting relations.

Typically, a job analysis helps in three distinct ways. Most importantly, it helps in the Job Description, i.e., in identifying various activities-major and trivial, to be performed under the job It also helps in identifying the qualifications, and individuals characteristics, in relation to the job, which is called job specifications.

A good approach to developing a job description is to use a checklist of various activities relating to a sales personnel job. Some of these responsibilities are as follows:

Sl. No.	Sales responsibilities	Specific activities
1.	Direct Selling	a) Locating prospects b) Determining prospects' needs c) Planning selling strategy d) Interviewing e) Creating desire

424

		f) Handling objectives
		g) Completing sales
2.	Customer Relations	a) Helping customers by solving their problems and providing special services. In the case of a Medical Representative, a cordial relationship has to be kept with the doctor. b) Training customers to use their purchases c) Arranging displays and promotions d) Keeping customers up-to-date on new developments e) Settling complaints f) Establishing and maintaining good personal relations with customers
3.	Product/Service Knowledge	a) Knowing products/services and their applications b) Looking for new products/services c) Keeping up-to-date on merchandise style and price changes d) Keeping up-to-date on competing products/services
4.	General Administration	a) Maintaining call records b) Carrying on routine correspondences c) Checking customer's credit d) Follow-up on inquiries e) Maintenance expense-account records
5.	Management Relations	a) Making required reports b) Reporting competitors' activities c) Working with other departments

Table 13.2: Basic responsibilities of a salesperson

A detailed account of basic responsibilities of a salesperson helps in the identification of qualifications and individual characteristics, iii relation to the job. The process, by which qualifications and personality characteristics are identified, is called Job Specifications which the person may have at the time of joining or they are imparted to the sales person, through training. Once the job specifications are laid down, it becomes easier for a company to initiate the process of recruitment and selection. Also training can help a salesperson to fulfil job responsibilities more effectively.

Nonetheless, it is generally believed that the recruitment and selection process should be such that it should help you to handpick those sales persons with the 'just right' kind of personality, since it is difficult to develop personality through the training programmes. Job Analysis also helps in clearly identifying the job performance norms based on which the job evaluation can be done. Such an exercise provides a good basis for compensation management.

13.4 Recruitment

Whenever there is a vacancy in the organization, generally it is to be filled. To make the candidate avail-able for filling those vacancies, their selection procedure and placement on a proper job comes under the purview of recruitment. As soon as the available vacancies are known, they are advertised through different media and accordingly the applications are collected for the vacant posts. A group of candidates interested in doing the job and are eligible to do so, is created through recruitment. It is an operative function of human resource management coming under the managerial function called organizing. In the words of Edwin Flippo, 'recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation'.

Once a company has determined the number and kind of salesmen it requires, the next step in the selection is to get the right applications, in sufficient number, for the positions. All the activities involved in securing the applications for the sales positions are referred to as Recruitment. It does not include, but is followed by the selection process to evaluate and screen the applicants. The nature of recruitment effort for sales personnel differs from one company to another, mainly with respect to their recruitment sources. The recruitment policy of a company is influenced by its selling style, products, customers, financial resources and sales management policies. Different companies call for individuals with widely varying abilities, skills, education, training and experience. The scope of recruitment effort is influenced by the number of recruits desired, which in turn, is influenced by the size of the sales organisation, rate of turnover, the forecasted sales volume distribution channels and promotional strategy.

13.5 Recruitment Sources

Figure.13.2: Recruitment Sources

Frequently used sources of recruitment are as follows:

1. Advertisements

Advertisements are both a source of recruits and a method of reaching them.

Newspapers, magazines and trade journals are the most widely used media for advertisements. Advertisements ordinarily produce a large number of applicants in a very short time and at a low cost. However, this factor may be offset by the increased expense of carefully screening the large number of prospects and the average quality of applicants may be of questionable character.

Recruitment advertisements usually include information about the company, nature of the job, specific qualifications required and compensation. The specific details in the advertisement vary with the company and its situation.

The quality of prospects recruited by advertisement may be increased by careful selection of media and by proper statements of information in the advertisement. For example, by advertising in a trade journal rather than in a daily newspaper, a firm is being more selective in its search. An advertisement in a trade journal assures responses from people who are already in the profession and would be interested in

selling. The amount and type of information given in the advertisement affects the quality and quantity of the applicants. The more the information given in the advertisement, the more it serves as a qualitative screening device. A firm, by stating minimum qualifications rather than optimum requirements can generate a large number of applications, requiring more careful screening. There is no simple answer to the question of whether a company should place its name in its recruiting advertisement. The company name, if well-known, is prominently featured, whereas small companies often follow the policy of giving a 'box no.' in the advertisement. Further, on the mechanics of advertising, management must decide on such points as the day of the week to insert the advertisement, where to locate it in the medium and what size it should be. For instance, Sunday papers are read more leisurely and thoroughly, but-in a week-day edition, a company's advertisement stands out more because there are fewer such other advertisements.

2. Employment Agencies

Many companies use employment agencies to get the recruits for the sales positions. To use this source effectively, a sales manager must ensure that the agency understands the company and its needs thoroughly. Whenever an agency is used, it should have a clear understanding of the job's objective, job specifications and the literature about the company. Also agencies need time to learn about an employing firm and its unique requirements-thus considerable gains accrue from continuing relationships with agencies that perform satisfactorily. If the agency is selected carefully and good long-term relations are established with it, the dividends can be satisfying.

Exhibit 13.1: Recruitment Sources

3. Educational Institutions

This source includes colleges, universities, technical and vocational institutes offering courses in pharmacy in case of M.R. This source is tapped for getting qualified people for entry level positions in sales. Students from technical/ vocational institutes or with specific subjects like Physics, Biology, Hotel Management are recruited by the companies, where selling requires specialised knowledge and skills for that particular industry. College graduates are generally taken by the companies having formal sales training programmes or for simple selling jobs. Recruits from educational institutions are more easily adaptable than their more experienced counterparts. They have no developed loyalties for a firm or industry and they probably have not acquired any bad work habits. Usually, they have acquired certain social graces, are more poised and mature. They are supposed to have developed their ability to think, to reason logically and to express themselves reasonably well. Ordinarily, they do a good job of budgeting their time and managing their daily activities. Their main limitation is lack of selling experience. Men recruited from this source need training and thus take time for reaching the desired productivity level. To use this source effectively, it is important for the company to develop and maintain good relations with suitable

educational institutions. In particular if a pharmaceutical industry is interested in recruiting Med. Rep., then relation with a pharmacy institute has to be developed.

4. Salesmen of Non-competing Companies

Individuals currently employed as salesmen for non-competing companies are often the attractive recruiting prospects. Such people already have selling experience, some of which may be readily transferable. For those, who have worked for companies in related industries, there is an additional attraction of knowing something about the product and the market. Recruits from this source presumably have some selling skills and thus reduce the amount of training required. A firm that hires salesmen from other companies should be especially careful to determine why the man is interested in changing jobs and why he wants to work for the hiring company. People hired from other companies may not have the same degree of loyalty that recruits possess when promoted from within.

5. Salesmen of Competing Companies

The question of whether to hire competitors' salesmen is argued on ethical grounds and from an economic standpoint. It is considered unethical to recruit the competitors' salesmen actively, after he has spent the money on hiring and training them. Furthermore, these salesmen may be able to divulge company secrets to the competitors. It is also seen as an attempt to take away competitors' customers. From an economic point of view, these are mixed feelings regarding this source. On one hand, they know the product, customers and competitors. They also are experienced sellers and, therefore, no money is required to be spent for their training. On the other hand, it is a costly source as generally, higher pay must be offered to them to leave their organisations. Some sales managers, as a matter of policy, refrain from hiring competitors' salespersons, as their loyalty towards the company is questionable. They feel that an individual hired away from one organisation for higher pay or other enticements may be similarly tempted in future. In considering the recruitment of individuals currently working for competitors, a key question to answer is why does this person want to leave his present position? When the new job will not improve the applicant's pay, status or future prospects, the desire to change the company may be traced to personality conflicts or instability. But the dissatisfaction with the present job does not always mean that the fault is that of an applicant. If the applicant has sound reasons for switching companies, the opportunity may be presented to obtain a promising person, who is ready for productive work almost immediately.

6. Internal Transfers

The persons working in other departments of the company may be transferred as salesmen to the sales department. This is generally used along with the other recruitment sources. Transfers are good prospects for sales positions, whenever product knowledge makes up a substantial portion of sales training. They are also familiar with the company's objectives, policies and programmes. The accuracy of evaluating these men is more, as the management is able to observe and evaluate their potential as salespeople before they are transferred to the sales department. Factory and office employees may consider the transfer to the sales department as promotion, which helps in increasing their morale and loyalty.

7. Recommendations of Present Salesmen

A company's sales force is a good source of leads to new recruits. Salesmen typically have wide circles of acquaintances, since both on and off the job, they continually meet new people and generally have many friends with similar interests. Their contacts may yield good sales people because of their understanding of the job and the kind of salesmen required by the company.

However, management faces the risk that the salesmen may recommend friends or business associates on the basis of personal feelings rather than on an impartial evaluation of prospects' qualifications. The firm should be able to weed them out through its selection process. When an applicant recommended by a salesman is to be turned down, management should explain clearly but diplomatically to the salesman why his recruit is not being accepted. Sales people are a valuable source of recommendations, when jobs must be filled in remote territories because sales personnel in the same or adjacent areas may know considerably more about unique territorial requirements and local sources of personnel than home-office executives.
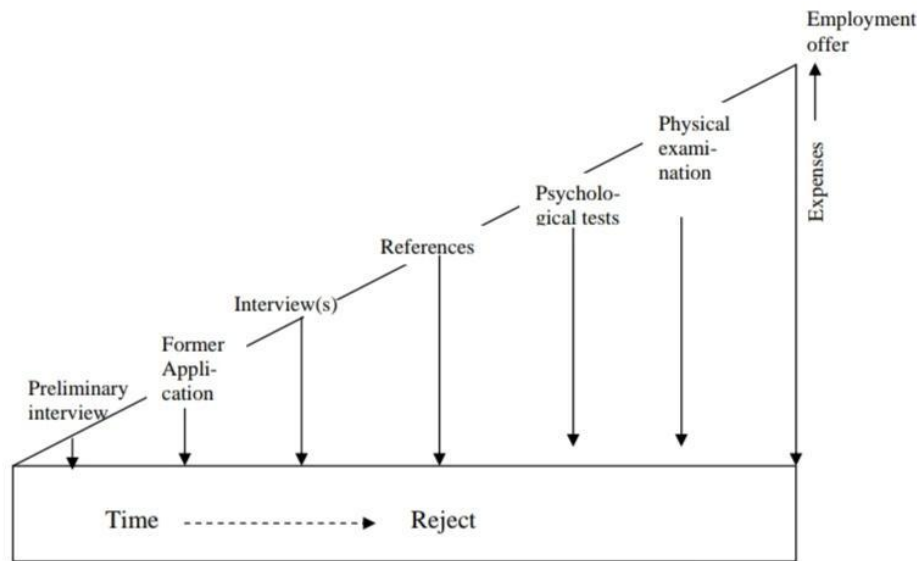
13.6 Selection

As noted already, 'selection' is a negative process of weeding out misfits from the eligible candidates being encouraged by the recruitment. It is the process of matching as far as possible the job specifications with those of many specifications. It is to verify and determine the degree to which a candidate fits in the framework of the job specifications. Selection process has definite steps presenting a procedure. In effect, it is like a hurdle race because; each step eliminates the number of candidates in that only those who cross all these steps are settled. Selection procedure differs from company to company depending on the internal policies. A typical selection procedure has six steps which are not fixed.

After a company has determined the type and number of salesmen it needs and the applications for the job have been received, the management is ready for the third and the final stage of the selection system, i.e. selection process. It involves processing the applicants to select the individuals who best fit the needs of a particular company. The sales force selection process refers to the steps the sales management goes through to staff the sales organisation. Specifically the process involves

i) Critical analysis and evaluation of each tool and procedure.

ii) Development of a system for measuring the applicants against the predetermined requirements.

The basic objectives of the selection process are to gather information about the applicants for sales jobs, which is used for predicting their success/failure

probabilities. A selection system can be visualised as a set of successive screens at any of which an applicant may be dropped from further consideration. It can range from a simple one step system consisting perhaps of nothing more than an informal personal interview to a complex multiple step system. The following figure shows an example of a selection system consisting of seven steps.

Figure.13.3: A seven step selection system

Selection Policy Decision

i) Which tools should be used?

ii) In what order should the tools be used?

The type of selection tools and their order of arrangement vary from company to company. Each company must design its own selection system to fit its information needs and budgetary limitations. The factors like the size of company, type of industry, the type of selling job, the financial condition of the company, affect the selection policy decisions of the firm. Management must compare the cost of each tool with its ability to predict success/ failure probability (i.e. its helpfulness in hiring decisions) for deciding the type of tools to be used for the selection process. For sequencing the tools, the principle that is generally followed is to use inexpensive and brief tools like short application form, brief interview or a simple test, in the initial stages of the selection process. The purpose of initial screens is to eliminate, as soon as possible, the obviously unqualified/undesirable recruits at the least cost. The more

expensive and time consuming tools are used in the later stages of the selection process.

13.7 Selection Tools

The commonly used tools for selecting the salesmen are as follows.

1. Application Form

Application in blank is a written formal application submitted by the person in quest of a job. The object of this application in blank is to get the candidate introduced to the interviewer so that he is in a position to prepare himself as to what kind of questions he is to ask to size-up the candidate. It enables the sales selection committee to weed out undesirable candidates at the very outset. It is one of the two most widely used selection tools. Generally, the application forms used by most of the companies fall under two categories: Short Application Form and Detailed Application Form.

a) Short application form is ordinarily used as an initial screening device. It asks for the factual information about the candidate in brief, so as to serve its purpose of eliminating the obviously unqualified applicants at the least cost and quickly. It includes items such as personal background, education and experience. This form can either be provided by the company or in the alternate, the applicants are asked to apply by sending their bio-data in brief.

b) Detailed application form is more extensive and covers each topic in depth. It is designed by each company according to its own information requirements. It varies widely from one company to another, for the designing depends upon the detailed description of the sales job. For example; a detailed application for a sales engineer will be quite different from the detailed application form for a medical representative. This form may be used as the only application form or along with the short application form. A longer form may be used as an initial screen if it is used to the exclusion of the short form. The facts stated on the form can be the basis for probing in an interview, for instance, by asking several questions related to the job experience as stated on the form. Also, if the applicant passes through the initial screens, management may need to refer, many times to the information stated on the form. This form is also used as a source of information to study the backgrounds of its good and poor salesmen and to establish scores and weights on specific requirements.

Objective scoring of application form: Each company, according to its job requirements, decides the ideal personal history requirements that would make the person successful on the sales job. Individuals possessing all the personal history requirements are the ones most likely to succeed on the job. However, many potentially successful salespeople do not possess all the requirements.

One company found that most of its best salespeople were of the age group of 3035 yews at the time of hiring, yet there were some as young as 19 and women as old as 48. Although the age group 30-35 years, may be the preferred age range, applicants outside this age range should still receive consideration, since other factors in their backgrounds may more than offset the fact that they are outside the desired age range. One of the ways to determine the total value of a candidate is by using an application form, on which an objective score has been assigned to each item. The maximum possible score for each of the items depends upon its importance in sales success. A higher score is allocated for the requirements which are more essential than those which are not so important. The points are assigned to an individual, for each of the items, according to its proximity to the ideal.

Example: Education   Maximum Score - 8

                                              High School   - 5

                                              Diploma   - 6

                                              Graduate   – 8

          Job Experience   Maximum Score - 10

                                                1-2 years   - 4

                                                3-5 years   - 10

                                                5-7 years   – 7

For example, in an application form of a firm, 12 personal history items are used as selection factors. A maximum value is assigned to each of them according to its relative value on the form. The maximum total score is 150 points and the cut off score is 100. All the successful salespersons in this company scored over 100 when hired and the company automatically disqualifies all applications with scores under 100.

Information on the application form: Some of be factors that affect the type and amount of information requested on an application form, may be

i) The objective, the company has in using the application form-if it serves as an initial screen, it is shorter than one that will be used for complete personal history record.

ii) The other selection tools and records used, often influence the design of the application form. Use of patterned interview, for instance, may enable a concern to shorten its form. On the other hand, a firm may want to duplicate its questions in order to check on a recruit's honesty, by seeing if his answers on the form coincide with those obtained from other sources.

iii) The nature of the job is another factor that influences the questions asked on the application form, because different sales jobs call for different qualifications. A firm trying to hire men with 5-10 years of sales experience, for example, is not so concerned about a recruit's activities in school and college. The information required on the application form, for hiring a salesman, for a sales engineer's job to sell the technical product will be different from the information for hiring door-to-door salesman for selling low priced consumer products.

iv) Another factor is the degree to which the selection function is decentralised. If home executives take part in the hiring of salesmen, the application form, probably, is detailed. But if territorial managers do the hiring, the form may be short because the other tools, especially the interviews, can be used more extensively.

Ideally each company should prepare its own formal application form, since no two companies have precisely the same information requirements. But, if a company has only a small sales force and recruits relatively few people, the time and cost of preparing its own application may warrant the choice of a standard form. Certain items of information, which are almost always relevant to selection decisions, make the standard form the information that is typically requested on standard form includes personal background, education and employment record. Companies using standard application form can obtain the additional information required, during the interview.

2. Interview

Interview is, by far, the most important part of the selection procedure. The panel of experts decides the number of candidates to be called for an interview and cards or letters are sent to the candidates well in advance. Interview is both a formal and

informal talk and the conversation between the interviewers and interviewee. Since, it is a crucial point in the selection process; the interviewer is to be sympathetic, receptive, accommodative and interested in the problems of the candidate. The purpose of the interview is to form the opinion of the applicant's appearance, bearing, poise, voice, resourcefulness and the philosophy of selling.

The interview is the most widely used selection tool and in some companies, it comprises the entire selection system. This tool may be used as a preliminary interview for initial screening of applicants and plays an important part in the subsequent stages of the hiring process as a final interview. This is the most satisfactory tool to find out something about conversational ability, general appearance, personal impact on others and certain behavioural aspects.

Personality traits like initiative, imagination, aggressiveness, tactfulness; enthusiasm can come out when an applicant is talking. Another purpose of interviewing is to verify and supplement the information obtained through other tools. Unusual or omitted references on the application form can be discussed, or more details about personality, attitudes and previous work experience can be explored. For example, the applicant might have stated that he was a district sales manager in some previous job. The prospective employer may ask: What were the man's responsibilities? How many employees did he supervise? What were his administrative duties? It is important that the interview serves as a two-way channel of communication.

The interview is not only a means by which a company determines an applicant's fitness for the job; it also offers the employer an opportunity to answer the recruit's questions about the company and the job. He can be told about such things as the nature of the job, the physical and social conditions involved, the compensation, the nature of training and supervision and the opportunities for the future. The closer a firm is to hiring a man, the more information it gives to an interviewee.

Exhibit 13.2: Interviewing for Jobs

Interviewing decisions: The following important decisions are arrived at, by the management regarding interviews:

- **Who and where:** Persons to do the interviewing and place for interviewing depends upon the she and degree of decentralisation of the sales Organisation. In large and highly decentralised organisations, it is done at local and regional level by district/branch/regional sales managers e.g. New India Assurance Company. In medium size organisations with less degree of decentralisation, initial interviewing is handled at the branch level and final interviewing at the head office. Interviewing is the responsibility of top personnel of the sales and marketing department in small and centralised organisations.

- **How many:** Number of formal interviews vary with the selling style of the company. One large steel company which needs salespeople to do the highly specialized selling to important customers, puts the applicants through three interviews, involving regional sales managers, the general sales manager and marketing vice-president. An office supply manufacturer, which requires sales personnel for routine trade selling, many hire applicants after two interviews. In another situation, where salesmen are required for door-to-door selling of simple products, one interview is enough together with the necessary information.

- **When:** The interview may be used at the initial stage of the screening process as a preliminary interview and it also usually plays an important part in the subsequent stage of the hiring process, as the final interview. At the initial stage, its main purpose is to quickly eliminate the applicants whose qualifications do not meet the job's basic requirements. For example, a few of the company executives visit the college campus to do the initial screening of

people, who have responded to the company's advertisement in the college. The detailed/depth interview is used at the later stage of the selection process. It is more time consuming and requires people with expert skills to probe the personality traits of the candidate in depth.
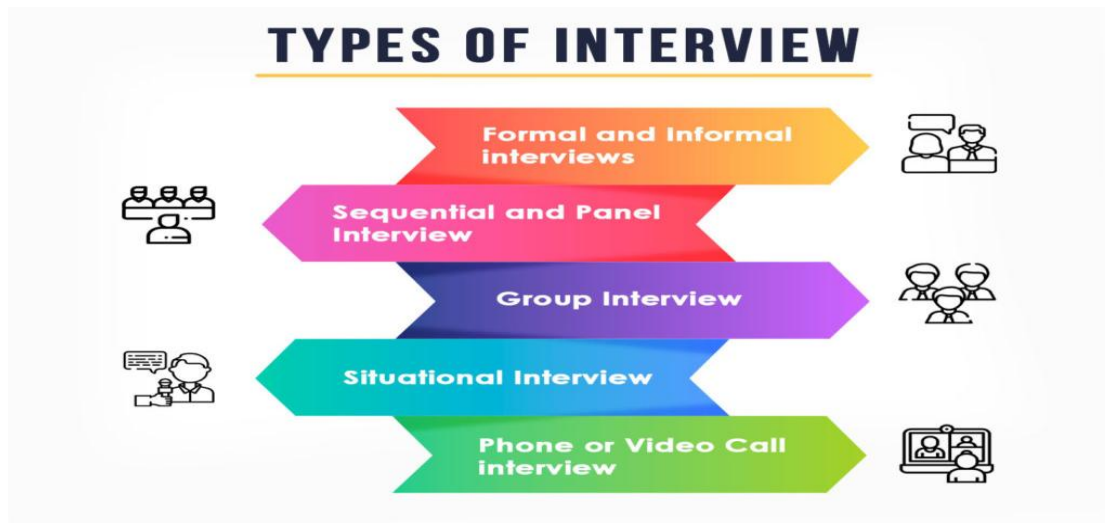
Techniques of Interviewing

i) **Patterned/ Structured interview:** It is a totally guided and highly standardised technique of interviewing. The interviewers are given a specific list of questions or an outline of questions, designed to elicit a basic core of information. Each man interviewed is asked these questions and answers are recorded on standardized form. Since all the applicants are queried on the same points, different persons can do the interviewing at different places and the results will still be comparable. The reasons for using this technique of interviewing can be attributed to the situations, where the interviewing is to be done at different regions/ branches simultaneously or where the interviewers may not know in detail about what the job entails and what are the necessary qualifications, or, they may know what qualifications are necessary for the job but they may not know what questions will bring forth the information about the applicant's possession of these characteristics, or interviewers may be unable to interpret the answers in non-structured type of interviews.

ii) **Non-directed/ Non-structured interview:** This method does not follow a set format; instead it involves a relaxed discussion. The candidate is urged to talk freely about his business experiences, home life, school activities, future plans and on certain outwardly irrelevant topics. The interviewer asks a few questions and says only enough to keep the conversation rolling along the desired line. The theory for this type of interview is that it produces truthful answers and thus draws out the real person. This technique yields maximum insight into an individual's attitudes, interests and personality traits. The interviewer is allowed maximum freedom in determining what will be discussed during the interview to probe an individual's personality in depth. Obviously, the major problem is that it requires skilled and experienced people for administering and interpreting it. Also the value of standardisation is lost in the non-structured type.

iii) **Semi-structured interview:** Most firms today use interviews that fall somewhere between the two extremes discussed above. Usually the interviewer has in mind a prepared outline of topics to be covered during the interview and also has the freedom

to deviate from the plan and to determine the depth to which a topic will be pursued for each candidate, at the time of interview itself.

Exhibit 13.3: Types of Interviews

iv) **Stress interview:** It is a more complex and sophisticated technique of interviewing. The interviewers create a stressful environment for the candidate through interruptions, criticism, by asking him for solutions for tricky situations, by rapidly firing questions. While interviewing, the interviewer may hand the applicant an object and say, "Here, sell this to me," and may then raise unreasonable objections during his sales presentation. This technique is used for selecting the sales personnel who are supposed to work under stressful conditions in actual selling situations. The stress interview needs to be planned, administered and interpreted by well-trained interviewers.

v) **Rating scales:** One shortcoming of the interview is its tendency to lack objectivity, a defect that can be reduced through rating scales. These are so constructed that interviewers' ratings are channelled into limited choice of responses. For instance, in evaluating an applicant's general appearance, an interviewer is forced to choose one of the three answers: nicely dressed, presentable, untidy. It results in more comparable ratings of the same individual by different interviewers. One drawback of the rating scale is the lack of precise description of many personal qualities. It is a good practice, therefore, to encourage interviewers to explain ratings in writing whenever they feel that the comments are needed. Examples:

- Enthusiasm: Bored, somewhat indifferent, normal enthusiasm, sparkling effervescence.

- Judgement: Jumps to conclusions, less than sound reasons for opinions; sound opinions and reasons, excellent judgement and uses reasons as problem solving device.
- Sales drive: Low, normal, above average, pushes himself.
- Attitude: Negative and complaining, pessimistic, positive and healthy, strong loyalty.

Guidelines for interviewing: Some general guidelines that will assist one in doing the effective interviewing are suggested below:

• **Prepare for the interview**: Effective interviewing requires adequate pie-planning to be done prior to the interview. This involves renewing the job description, the company's personnel policies and procedures and existing data about the candidate. The review will enable the interviewer to determine exactly what he wants to know about the candidate and prepare the topics for discussion.

• **Established rapport:** A pleasant relaxed atmosphere must be established during the interview. The interviewee must be made to feel at ease by asking general questions about his family, education, experience which are the subjects about which most people feel free to talk about. A quick review of the interviewee's application form may suggest a suitable opening for it. A pleasant rapport between interviewer and applicant must be maintained throughout the interview.

• **Listen and observe:** It is important for a successful interviewer to be a good listener and good at observation. He begins to learn about the candidate, as soon as he enters the room-Is the applicant dressed appropriately? Is he/she poised and confident? Alert? Observation provides many clues about the personality of the applicant. For instance, clasping hands, unclasping of hands, fidgeting, not maintaining eye contact are signs of nervousness, uncertainty and lack of confidence.

• **Taking few notes:** Most interviewers will need to refer to notes about the performance of the candidate at the time of the interview, for evaluating him, for selection decision. However, taking notes during an interview distracts the applicant and slows down the tempo of the interview. So, in most of the situations, the candidate should be marked on the evaluation sheet after he/she has left the room.

• **Select a suitable environment:** The interviewer must make sure that the setting is appropriate and conducive for interviewing and there are no interruptions during the interview.

3. Psychological Tests

Testing represents an additional tool in the kit of the selection panel. The psychological tests operate on the common theory that human behaviour can be well forecasted by sampling. Tests create situations in which an applicant reacts and such reactions are considered as replicas of his behaviour in the work area for which he has applied. Divulging the weakness of a candidate is the basic tenet of a test.

In case of selection, two types of tests are held namely, 'personality' and 'aptitude'. Personality tests gauge whether the candidate has a good sales personality and a congregation of physical, mental, character and social qualities. On the other hand, aptitude tests measure his aptitudes in the field of selling such as self-discipline, sales

motivation, resistance to discouragement, acceptance and appreciation of criticisms, diplomacy, tact, controlled aggressiveness, emotional stability and so on.

Use of psychological tests as a selection tool, though still in its infancy, is increasing for the reasons like – greater importance being given to selection as the sales management is becoming more formalised, rising cost of selection and training, increased size of sales force and increased knowledge of psychological tests and their applications. Psychological testing refers to having the recruit answer a series of written questions, the proper answers to which have been previously determined. The major purpose of testing is to identify and measure more accurately, the various aspects of a person's behaviour such as intelligence, achievements, interests, aptitude, personality traits, etc. It requires trained specialists for designing, administering and interpreting the psychological tests.

Personality Tests	16 Personality Factor Questionnaire (16-PF), Basic Personality Inventory (BPI), Thematic Apperception Test (TAT), Rorschach Test
Achievement Tests	Kaufman Test of Education Achievement (K-TEA), Wechlar Individual Assessment Test, Woodcock-Johnson Psychoeduca Battery (Achievement)
Attitude Tests	Likert Scale, Thurstone Scale, etc.
Aptitude Tests	Abstract Reasoning Test, Visual Reasoning Test, etc.
Emotional Intelligence Tests	Emotional & Social Competence Inventory, Mayer-Salovey-Caruso EI Test (MSCEIT), etc.
Intelligence Tests	Wechsler Individual Achievement Test, Wechsler Adult Intelligence Scale, Universal Nonverbal Intelligence
Neuropsychological Tests	Ammons Quick Test, Beck Depression Inventory, Anxiety Inventory, and Hopelessness Scale
Projective Tests	Rorschach Inkblot Test, Thematic Apperception Test (TAT), Draw-A-Person Test, House-Tree-Person Test
Observation (Direct) Tests	Direct Observation

Table 13.2: Types of Psychological Tests.

Factors conducive to successful testing: The existences of following conditions are conducive to, a successful testing programme:

i) The firm hires a relatively large number of men and its cost of training per person is quite high.

ii) The firm is hiring young inexperienced men about whom little is known.

iii) The persons being selected are not likely to be test wise, i.e. danger of faking is minimised.

iv) The executives responsible for interviewing the recruits are not adept at discovering personality traits and selling aptitude.

v) In companies, where the cost of a man's future development is high, the expense of testing may be a small insurance premium, just to be more accurate in judging a candidate.

Types of Psychological Tests

i) Tests of Ability − Tests of mental ability

Tests of special abilities

ii) Tests of Habitual Characteristics − Attitude tests

Personality tests

Interest tests

iii) Achievement Tests

i) Test of Ability

- **Tests of mental ability:** Give the administrator some idea of the man's present abstract intelligence. These tests are designed to show how well a person reasons, thinks, and understands and thus measures abilities like problem solving and learning. Beyond a minimum level, this type of intelligence is seldom of vital importance in selling. In the alternate, if the sales job requires a man with higher than average intelligence, because of its being a complex job, then probably such intelligence tests should be made a part of the selection process.

- **Tests of special abilities:** These tests measure the sales aptitude and the special abilities required for a person to be successful in a sales position. Sales aptitude tests are designed to find out the recruit's behaviour in certain common selling and social situations. One such test asks, "You are a sales

clerk. The best of your response to the customer's objection, 'It is not exactly what I want', would be: a) Do let me show you another style that is very popular this season. b) This is the latest style. c) I am a song you didn't like. d) We expect another shipment of articles next month."

Many sales managers administer their own informal aptitude tests by way of a situation in which they give a product to the recruit and say, "Here, sell this to me." General sales aptitude tests are used for measuring the basic qualities of a good salesman and specially designed sales aptitude tests are used for measuring special qualities required for a particular type of sales job of a company.

ii) Tests of habitual characteristics: These tests gauge how the prospective employee would normally act in his daily work, i.e. when he is not at his best behaviour.

- **Attitude tests:** Are more appropriate as morale measuring techniques. They are used to ascertain employee's feelings towards working conditions, pay, and advancement opportunities. Used as sales personnel selection devices, they make limited contributions by identifying abnormal attitudes on general subjects.

- **Personality tests:** Success in selling depends mainly on the multitude of behaviour traits called personality. By adroitly asking many questions concerning what the test taker would do in certain situations, how he feels about certain things and what his attitudes are towards various occurrences, the test hopes to uncover specific personality traits. These tests attempt to identify and measure the traits like stability, tact and diplomacy, self-sufficiency, self-control, dominance, initiative, etc. The obvious difficulties in using these tests are first in stating precisely what aspects of personality *are* true job qualifications and then finding and designing tests which would measure these aspects correctly. These tests need to be administered and interpreted by skilled testers.

- **Interest tests:** The basic assumption implicit in the use of interest tests is that a relationship exists between interest and motivation. Hence, if two persons have equal ability the one with greater interest in a particular job will be a more successful salesman. Interest tests measure the extent to which one's interests are similar to those of successful people in a given occupation:

Probably, a person who scores low on an interest test will not make a good salesman. These tests are relatively easy and inexpensive to administer.

iii) Achievement tests: Provide an assessment of expertise an applicant possesses in such areas as customer relations, marketing channels, product, etc. These tests seek to deter-nine how much an individual has learned from his education, training and his knowledge about certain subjects.
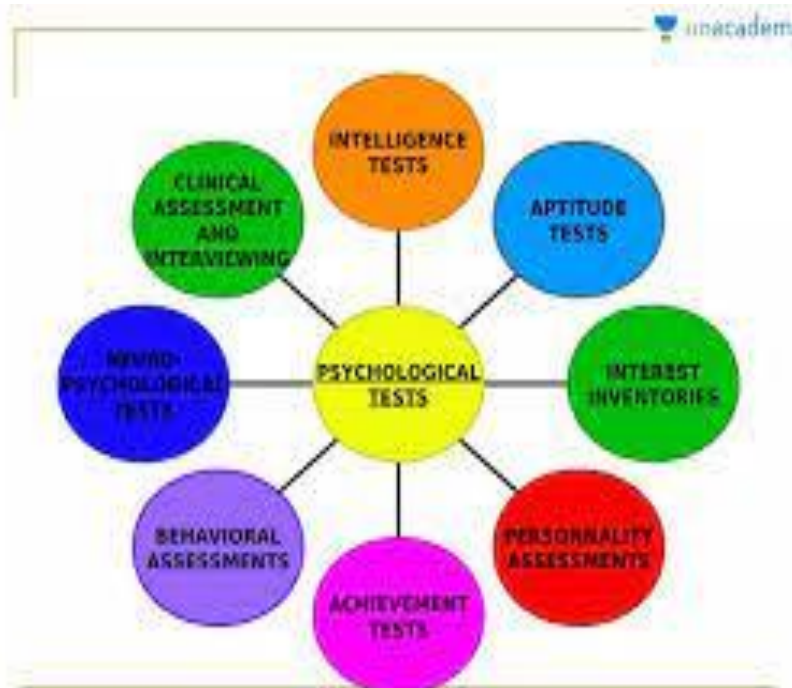
Figure 13.4: Types of Psychological Tests

Evaluation of Psychological Tests

Tests to be used for selection of salesmen are evaluated on the basis of following criteria:

i) Validity: A test is valid if it actually measures what it is supposed to measure. Following are the three ways to check the validity of a test:

(a) A test is given to the present salesforce and the test score of successful salesmen is compared with the score of unsuccessful salesmen. If there is close correlation between the score and job performance, the test is a valid test.

(b) A test is given to all the applicants, but the test scores are withheld from the persons matting the selection decision. After the new salesman has begun work, their

performance is compared with their test scores. Again the degree of correlation will reveal the validity of the test.

(c) Another way to validate a test is through the use of control groups. One group of salesmen is chosen by making use of tests along with other tools in the selection process, while a control group is hired without the benefit of testing. The job performance of both the groups is compared after a period of time to determine the validity of the test.

ii) Test reliability: It refers to the consistency of test results. A test has reliability, if an individual gets approximately the same score on subsequent retesting in the same type of tests. Perfect reliability is given the maximum score of 1. The tests having the reliability near one are considered as reliable tests for use in the selection process.

Reliability

    Example: Social intelligence test   .45

                    Numerical ability test   .95

                    Vocabulary test   .75

iii) Test objectivity: If the scorer's opinion does not affect the test score, it is an objective test. For a good test, it is important to have high objectivity.

iv) Time, effort and cost: Of administering the tests must be compared with their benefits.

How the psychological tests should be used: Any test should be used only as an aid to judgement, and definitely should not be the deciding factor in determining who should be hired. It is a mistake to automatically accept or reject a given applicant on the basis of his test scores. They are a tool to assist the sales executive in selecting the right kind of salesmen, but they should not rely upon the exclusion of other tools. Test results may help in avoiding a serious error, but they must not make the selection decision for the manager.

Exhibit 13.4: Types of Psychological Tests

Sales executives need to recognise the fact that psychological testing, although capable of making a valuable contribution, is but one step in the selection system. The sales manager should not believe that the best score on a test means that the man is the best prospective employee. All that can be said is that a man does or does not fall within a range and all those who do fall within that range should be judged as being equally qualified for the job. Test results should be used to probe deeper into any questionable areas.

Uses of Psychological Tests

- Achievement test: determines how much students have learned
- Aptitude and interest tests: determine whether he or she is suited for certain occupations
- Personality test: identify the psychological traits that make up a person's personality
- Tests claim to be able to predict a student's future behavior, such as benefiting from certain educational experiences or succeeding in college.
- **Behavior-rating scales** are used to measure behavior in such places as classrooms and hospitals.
- **Self-reports** rely on answers from people about their feelings and experiences.

Exhibit 13.5: Uses of Psychological Tests

4. References

The candidate is asked to give references of persons that guarantee his integrity. The number of references may be two or three. The reference relates his character, educational career, past service or experience. Here, the sales manager is to get confidential reports about the candidate and verify the statements made by the candidate and the referee or referees. To get first-hand and frank information about the candidate, the selection panel should have face to face telephone contacts, discussions and deliberations.

Names of references are sometimes requested on the application form by the company. As a selection tool, the basic purpose of the reference is to verify the facts such as the dates of employment, earnings, sales volume, absenteeism and the nature of the past selling job. The typical procedure is to check the references by personal visit, telephone or letter.

5. Physical Examination

Confirmation of physical fitness demands that every promising or likely candidate to be selected is to undergo a medical test. Invariably, everyone in this world is suffering from one kind of disease or the other. The salesman's job needs physical fitness in addition to mental. Normally, persons with high blood pressure, foot affliction, kidney and heart troubles, tuberculosis, cancer etc. are not selected. It is worthwhile to have outright rejection of such candidates than repenting at leisure. At the same time, it is the moral responsibility of the candidate to disclose the facts of his health conditions before it is too late to do anything good for both the parties.

Many sales jobs are very demanding physically and/or mentally. So, near the end of the selection process, some companies require a physical examination to eliminate the candidates who do not meet the minimum physical qualifications deemed necessary for the job.

13.8 Summary

The recruitment and selection of sales people constitute one of the primary responsibilities of sales management. After a thorough analysis of each sales job, the sales manager prepares a list of qualifications to be used in recruiting. Depending upon the type of job to be filled and company policy, the sales manager then seeks applicants through various sources-educational institutions, other departments within the company, employment agencies, advertising and even competing or non-competing firms. Managers must evaluate the pool of applicants in order to select the most promising candidates. The selection process involves the use of application forms, inter-views, references and psychological tests in order to identify those persons meeting the job qualifications. The final step in the hiring programme requires that the sales manager decide which, if any, of the candidates should be offered selling positions.

13.9 Self-Assessment Questions

1. One sales executive claims he knows a good man when he sees one, and therefore, he does not like to be bothered by the so-called scientific selection process? What can you offer to refute this claim? Would your answer be any different if you knew that the sales manager who made the statement had a low rate of turnover in his sales force and was running a highly profitable operation?

2. "Careful selection is important, but not essential, in building an effective sales force. Improper selection of salespeople can be overcome by a good training programme, sound supervision and an excellent compensation programme." Do you agree? Discuss.

3. When selecting salesmen many companies have adopted a policy of hiring only experienced salesmen and preferably men who have had experience of selling similar or directly competitive products. What are the merits or demerits of such a system?

4. The following firms want to hire salesmen, and as recruiting sources, the executives are considering-other departments of the company, competitors' salesmen and educational institutions. Evaluate each of these three as sources of salesmen for each company:

   a) Manufacturer of paper and paper products

b) Manufacturer of office furniture and equipment

c) Manufacturer of breakfast cereal

13.10 Suggested Books / References

1. S. Neelamegham, Marketing in India, Cases and Readings Vikas Publishing House Pvt. Ltd.

2. Richard R. Still, A.P. Gov Au, Edward W. Cundiff, 1988. Sales Management, Decisions Strategies and Cases, Prentice Hall of India Pvt. Ltd.: New Delhi.

3. Philip Kotler, 1988. Marketing Management, Analysis, Planning, Implementation, and Control. Prentice Hall of India Pvt. Ltd.: New Delhi.

UNIT 14: TRAINING THE SALES FORCE

Unit Structure:

14.0 Unit objectives

14.1 Introduction

14.2 Logic of Training

14.3 Training Process

14.0 Unit Objectives

This unit provides a clear understanding of the importance of training for the sales personnel, learn the training process, and identify the areas in which training for the field sales personnel can be of use, and understand how to conduct each step of training.

14.1 Introduction

If you ask any sales person or a sales manager about how they learnt the selling skills, majority of them will answer, 'by experience'. The statement however is really useful

when we learn the correct things by experience and more importantly when we are able to use the lessons successfully. But what happens when we make mistakes? Next time we don't make the same mistake and we say, "I learned it all the hard way." It is suggested that, as training manager, you should be sure to check what he learnt the hard way.

There are salesmen who have never learnt the art of closing their sales. There are others who have talked too much for all the years they were in sales. In fact, there are still many more, which never discovered the best way to sell or manage their time. Experience alone is perhaps never sufficient. We all have to learn from the knowledge and experience of others. This is where the right training can make a difference. Training can help transform a below-average salesman to an average salesman, or the average salesman to sell higher and the top salesman to reach newer heights.

In a competitive market, sales training can bridge the gap between success and failure. Customers generally evaluate a company's product based on the salesman's performance, confidence or lack of confidence, inability to fully explain the product benefits, etc. When the market is competitive the customer may place the order with a salesman who performs better than the other in a sales interview.

14.2 Logic of Training

It must be clearly understood that a training programme is just a small portion of the total learning experience of any participant. Before any participant attends a training programme, the trainer must identify a specific area of knowledge, skills, or attitude in the participant that needs to be improved. (A detailed account on these points is given in 10.5). After the training programme, it is expected that the participants have gained the required knowledge, skills or attitudinal change.

Before the Training	Training	After the Training

----------------☐ Total Value of

Training

However, the more important part is when the participant uses this new knowledge, skills and attitude at his work place to get better results than he was getting prior to

training. These results will benefit the organization and will add more value to the organization. Thus to consider the total value of any training, it is important to consider the sequence of training activity in its totality, i.e., before the training, the training event and after the training.

14.3 Training Process

Training can be defined as learning to change the performance of people, doing certain tasks. From this definition we observe that training revolves around helping people to learn so as to improve their performance. The training process can be broken down into four major steps, for easy understanding. These steps are, identifying training needs, designing the programme, conducting the programme, training follow up. Apart from the above distinctive steps, a trainer must have knowledge about adult learning styles, so that the programme can be tailored as per requirements. Diagrammatically, the training process can be represented in the following manner:
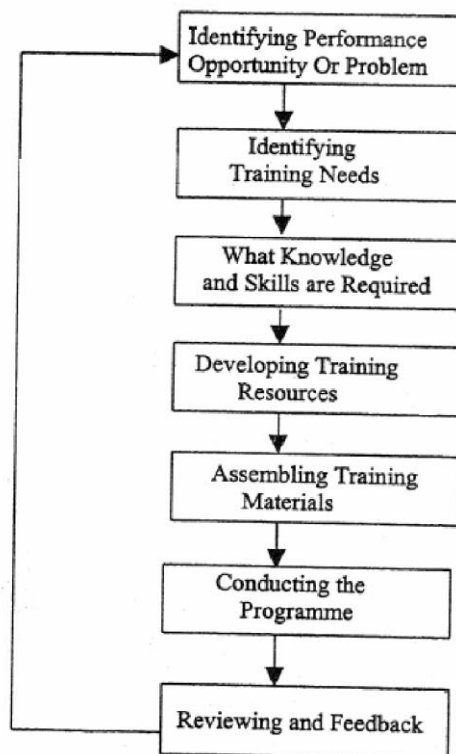

Figure 14.1: Training Process

14.4 Areas of Sales Training

The purpose of a sales training programme is to impart training in the following broad areas mentioned below:

- Company's knowledge - nature of industry to which the organisation is related. The organisational place in its industry and industrial practices.
- Product knowledge and applications
- Sales techniques - the selling process, negotiation skills, sales presentation, handling complaints, post sales follow-ups, etc.
- Reporting systems"

14.5 Process of Identifying Training Needs

A training need can be defined as a gap between the desired level and the actual level of knowledge, skills or performance that can be bridged by training. The starting point for organising and conducting an effective training programme for the salesmen is the careful and precise identification of training needs. Well intentioned, but general sales training may not yield good results. To the salesmen it may not appear to be tailored to their needs, or it failed to take account of the special selling situations they generally face.

Thus it is very important to perceive and identify the individual's training needs and then decide about the objectives and contents of the training programme. The identification the sales training needs is a rational undertaking and it has to be done in proper sequences, which are as follows:

The first step in the identification of the training needs is to define the jobs to be done, the specific tasks involved and the performance standards required .This involves writing of the jobs description.

Secondly, specifying what knowledge, skills and attitudes are needed to achieve the standards set for the job. Based on the job description, training needs analysis can be done setting out the knowledge, skills and attitudes, some examples of such an exercise are given below:

Job Description/ Task/ Knowledge Skills/ Attitudes Analysis

Task	Knowledge	Skills	Attitudes
(a) Read Journals (b) Attend relevant Meeting and events (c) Assess own training needs with manager on a continuous basis	What knowledge and skills are needed as defined by the job and the company.	Ability to : self train, learn, interpret and apply, information and use initiative	Training is not a classroom operation. Good training is self-inspired continuous and accumulative

Table 14.1: Job Description: Keep technically and commercially up-to- date

Task	Knowledge	Skills	Attitudes
(a) Make contact with Representatives (b) Maintain contact for mutual advantages	Who they are Where they operate Who they know Who knows them	Establish mutual respect, Sell one self, Establish mutual benefits	We all need all the extra 'salesmen' we can get

Table 14.2: Job Description: Liaise with companies and organisations

Task	Knowledge	Skills	Attitudes
(a) Identify target	Number of unit sizes Location Present situation/usage Future needs Finance	Ability to select priorities, good administration	Time, effort and thought given to planning make the whole job easier, more enjoyable and more effective
(b) Draw up action plans	Company activities Competitor activities Distributor involvement timing Management assistance available Own time available	Good communication with managers and distributors Ability to set realistic objectives in a reasonable time scale	An agreed plan of action makes success more likely
(c) Plan with distributors	Distributor coverage Distributors representatives Credit problems Distributor needs	Motivation of distributor representatives	Liaison is essential for success

Table 14.3: Job Description: Sales Planning

Task	Knowledge	Skills	Attitudes
(a) Plan journeys	Geography Market days/events Whether appointments are needed	Ability to assess timing of individual calls Ability to plan journeys economically	Time and effort saved, makes work easier, enjoyable and effective
(b) Plan calls	Customer needs products available Distributor involvement Customer attitude	Ability to identify customer needs Communication with distributors	
(c) Make effective sales presentations	Products and system knowledge Economics Customer needs Selling techniques/negoti ation Sales benefit Nature of objectives Alternative methods of closing	How to open an interview How to create interest How to present benefits how to overcome objections Negotiation How to close positively	Professional selling is essential in a competitive market
(d) Involve management when necessary	Own limitations of authority Customer needs Price limitations	Communication with management and distributors	A team works better than a collection of individual

Table 14.4: Job Description: Make Effective Sales Contract

Task	Knowledge	Skills	Attitudes
(a) Identify needs for each distributor and each representative	Priority 'gaps' to be filled between company needs individual needs customer's needs	Distinguish between knowledge, skills and attitudes and establish priorities Distinguish between 'lack of' and 'need for'	Efficient profitable distribution is essential to Co's own prosperity
(b) Agree what should be done and by whom	Methods of training Other facilities available Other personnel Own limitations Own skills	Liase with management 'Sell' training to distributors and representatives Setting of objectives Planning and preparation	It is our responsibility to equip our distributors with the knowledge and skills to sell products and services
(c) Carry out training	Methods : On-the-job Off the job Product knowledge Sales knowledge Use of training techniques Preparation of aids Appropriate location	Applying the right Method Translating knowledge to suit audience techniques and aids	Training is not only a classroom operation. Use of the right method and careful preparation is essential
(d) Evaluation on a Continuous basis	Gap in the objectives set Objectives achieved	Interpret reasons for gap Take appropriate steps i.e. change objectives, change training methods and change training contents,	All good training is continuous and accumulative

Table 14.5: Job Description: Motivate and Train Distributors

460

Task	Knowledge	Skills	Attitudes
(a) Investigate the situation	Character of customer Distributor involved Representative involved Methods of : reporting, handling and delivery complaint factors Product knowledge	Look at problems objectively Assess likely causes tactfully and accurately Establish rapport with the customer	A quality complaint is an opportunity to build customer confidence and loyalty
(b) Report back to Management	In addition to above checks, place of origin Date of delivery and manufacture Interpretation of situation Recommendations for action	Accurate report Writing Accurate interpretation of facts, people and circumstances Empathetic presentation of information	The customer should neither check not gain if the complaint is handled correctly
(c) Conclude Complaint satisfactorily	Laboratory report Interpretation of report Character of customer Relation between loss and views of Co.	Selling skills in presenting information Obtaining agreement without haggling Positive closing	The customer should feel that his complaint has been handled fairly, speedily and sympathetically

Table 14.6: Job Description: Investigate Quality Complaints

Task	Knowledge	Skills	Attitudes
(a) Identify what is needed: (i)For personal action (ii) For distributor action (iii) For individual customers	Priorities Customer needs Customer attitude Distributor coverage Representative's abilities	Ability to select and priorities Ability to delegate	
(b) Keep personal involvement to a minimum	As above	Tactful delegation to distributor representatives Training of representatives	
(c) Provide first-class personal services where necessary	Technical knowledge Product knowledge Management of finance and economics	Ability to provide service effectively Use service as a sales aid	Service is a tool to be used in gaining and maintaining business not an end in itself

Table 14.7: Job Description: Provide After Sale Services

Task	Knowledge	Skills	Attitudes
(a) Apply promotional Plans in own district	Company plans Area plans District plans Distributor needs Consumer needs	Selling of promotion to: distributors distributor representatives	Use Distributors and Distributors' Representatives to sell
(b) Take part in meetings and demonstrations	Suitable venues Meeting organizations Press coverage Products/systems Company policy	Public speaking Discussion leading Chairmanship Report writing	We are professional

Table 14.8: Job Description: Support Promotional Activities and Participate in Meetings/ Demonstrations

Task	Knowledge	Skills	Attitudes
Report competitor Activities to management Suitable speakers	Competitors representatives Competitors customers Competitors products and Policies	Accurate Report writing Objective interpretation Communication with third parties	Effective action depends on accurate and balanced reportage

Table 14.9: Job Description: Internal Communication

Thirdly, define what knowledge, skills and attitudes each salesman has, how and what performance standards each are achieving. The collection of this information requires the setting up and constant use of an effective salesman performance appraisal system. It also involves agreement on measurement standards and techniques.

Fourthly, identifying the training gaps in each area of knowledge, skills and attitudes.

Fifthly, define what additional training needs arise as a result of changes

external to the salesman's past achievements and standards. This necessitates checking on a systematic and continuous basis the directions and future plans for the company's marketing planning, sales planning and recruitment functions. For example; a decision to add a couple of products to the existing product line could involve every salesman in revising his method of working, route planning and scheduling, thus giving rise to a new training need in the field. It is therefore necessary to relate the company's future plans to its current sales force needs.

Lastly, define the training priorities for the current period, i.e., to identify what are the training needs in the immediate future, in the mid-term and in the long term, and accordingly prioritise the training activity.

14.6 Methods of Identifying Training Needs

For the success of any training it is of utmost importance that the training needs are identified, objectively and correctly. Training needs analysis will help in identifying employees who need training and also you can set specific criterias to measure the results of training.

Some of the methods used for identifying training needs are :

14.6.1 Self Observation

Observations can work only when a salesman is observed doing his job, continuously for a specific period, by an observer.

Advantages: Observation gives you an idea about the actual working of a salesman. It is a low cost technique with minimum disruption to the work. Also, in this technique you yourself observe the salesman and thus the bias is avoided, in the observations.

Disadvantages: The major disadvantage of this technique is that the salesperson may not act normally when someone is with him as late fee is scrutinized. Also you may not observe all the attributes due to infrequency of occurrence of some attributes. Another disadvantage of this technique is that sometimes it is difficult to record the observation data.

14.6.2 Reports

Any organization will have a number of reports that record different aspects of job performance regularly, like, work records, sales output, sales trend, etc. A careful study of these reports can help in identifying training needs.

Advantages: You have a long track record of performance which can be used. The salesman is not aware that you are watching him. In this method, you do not incur any additional cost.

Disadvantages: As the quantum of information available through the sales reports is large, his method is time consuming.

14.6.3 Surveys and Questionnaires

These are the written forms that are completed and returned either by the Salesperson himself or by his manager, after filling them up.

Advantages: These forms bring out opinions and facts about a current situation by questioning the people involved. These are useful in getting information from large or geographically dispersed people. The respondents can complete them at their convenience, without any distraction.

Disadvantages: If the questions are not framed in a simple language, the respondents may not understand the questions. Secondly, only those people who are interested, will generally send their reply to a survey.

14.6.4 Face to Face Interviews

A face to face interview is the process of meeting a salesperson individually to discuss issues that concerns him the most.

Advantages: These interviews are helpful when you are dealing with sensitive issues that require explanatory answers. Another advantage of this process is that you can clarify things by asking questions and also you can observe the non-verbal clues.

Disadvantages : The salesperson may not like such interviews where you are making notes. Face to face interview is also a time consuming process.

10.6.5 Focus Groups

In a focus group, 10-15 salespersons meet to discuss a topic and exchange views, attitudes to give suggestions. Such discussions are useful when handling an undefined issue.

Advantages: Focus groups offer valuable but general data. With the help of focus group discussions you can identify questions and issues that can be used to conduct specific surveys.

Disadvantages: A focus group has to be followed by other types of surveys for getting specific information. A focus group is time consuming and in such studies it is difficult to quantify results.

As you must have observed, you can use any or all of the above methods for identifying training needs. Once the data is collected, you need to analyse data for prioritizing different needs that may emerge. One important point that should be kept in mind is that during these surveys certain needs can emerge that cannot be handled by training. These may include pay increases, incentives, work conditions, etc. Therefore, the suggestion is that when you are analysing data you must focus only on those needs that can be addressed by training.

14.7 Learning Styles

When you are designing a training programme, you must keep in mind that different people learn easily from different learning styles. Therefore, you should be able to identify the best learning style. Broadly speaking any

person has one of the following dominant learning styles: Activist, Reflector, Theorist or Pragmatist. You must appreciate the fact that these are the learning styles and need not reflect the personality of any individual.
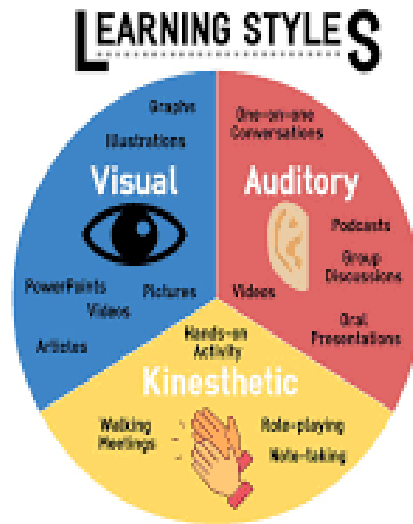
Exhibit 14.1: Learning Styles

Activist : An activist involves himself fully and without bias in new experiences. He is open minded, riot skeptical and is enthusiastic about anything new. He is happy to solve problems by brainstorming. Thus, if you are designing a programme for an activist, be sure to include situations of his participation like, games, simulation exercises, etc.

Reflector: He likes to stand back to ponder experiences and observe them from varied perspectives. He will collect data, himself and from others, and prefer to think it thoroughly before coming to any conclusion. He prefers to take a back seat in meetings and discussions and enjoys observing other people in action. He tends to adopt a low profile. While designing a programme for a reflector, be sure to include actual case studies and experiences and guide him to make his own decisions.

Theorist: He integrates observations into complex but logically sound theories. He thinks problems through in a step by step way. He likes to analyse and synthesize. He tends to be detached, analytical and dedicated to rational objectives, rather than anything subjective or ambiguous. His approach to problems is consistently logical.

Pragmatists: He is keen on trying out ideas, theories and techniques to see if

they work in practice. He is the sort of person who will return from training brimming with new ideas that he wants to try out in practice.

14.8 Designing and Conducting the Programme

For training in the sales force, you can use one of the three major types of programmes. These methods are self-study modules, class-room training, on the job training. However for all the programmes, the planning must be done comprehensively to ensure effectiveness of the training.

14.8.1 Self Learning Modules

In this programme, the participants are given the course material which they are required to study themselves. Written totes can be sent, and if needed audio and video cassettes can be used. This kind of training is useful when you want the participants' to revise some material or you want to send some pre-conference study material. The major disadvantage of this method is that you cannot be sure whether the participants have actually studied the material. Also, in this method, there is no feedback.

14.8.2 Class Room training

Each training programme needs to be individually planned based on the pre-decided objectives decided for the programme. However the following are the important areas that can be covered in a typical sales related programme :

- Company knowledge - history and future plans
- Product information
- Marketing strategies for various products
- Learning the features, advantages, benefits of products
- How to obtain interview with prospective customers
    a. The sales presentation
    b. Different ways of finding customer's needs
    c. Answering objections
    d. Closing the sales presentation
    e. Planning geographical territory and planning each day
    f. Time management
    g. Administrative responsibilities
    h. Communication abilities

i. Writing reports

The objective of a classroom based refresher course is to reinforce some aspects in the salesmen which they are likely to forget and also to add new knowledge and skills to the salesmen. Thus, as the name suggests a refresher and development course must refresh the memory and develop the true potential of the salesmen. To truly meet its objective, a refresher course must be based on factual information. Thus complete information on salesmen's behaviour, weaknesses and general morale must be available before designing any refresher course. The information can either be obtained through a questionnaire sent to participants or through personal interviews, or any other methods. Some of the questions that need to be answered for running an effective refresher course are:

Planning	Does a salesman prepare and work his plan Does he keep up to date records Does he call regularly on his customers
Appearance	Is his appearance professional Does he keep his presentation material neat and clean
Attitude	Does he have a positive or a negative attitude How is his response to official communication How much is he influenced by outside influences
Selling Skills	How good is his product knowledge How updated are his selling skills Does he have knowledge of any special techniques

Table 14.10: Questions for Running an Effective Refresher Course

Once all the information is gathered, the trainer can plan different sessions of refresher courses which can include case studies, role plays, syndicate presentations, simulations etc.

14.8.3 On The Job Training

One of the very important ways of teaching new skills to sales people is through on the job field training. The important advantage of this method is that the skills are demonstrated to the salesmen in the real life situation and thus the impact on the salesmen is expected to be much stronger. Also the individual salesman's needs can be identified and attended to. In on-the-job or field training, the trainer can either make a sales call himself which the salesman observes and learns. In the other method of on-the-job training the trainer gives feedback to the salesman after observing him during his sales call. The salesman, thereafter, practices the recommendations in the future calls.

14.9 Trainer's Abilities

A successful trainer needs to possess various skills to do a good job of training. Some of the basic things without which a trainer cannot be successful are, thorough job knowledge and an ability to relate to the actual situations the salesman experiences. The other main abilities which a trainer must possess are:

Exhibit 14.2: Trainer's Skills

14.9.1 Analytical Ability

A good trainer is able to analyse the situations and identify the exact training needs for salespersons. The analytical ability will help the trainer to focus on issues of prime importance rather than touching superficial issues.

14.9.2 Basic Educational Abilities

A trainer needs to have the knowledge about the jobs the salespersons perform. He should also know the principles of communication. It would still be better if the trainer has some knowledge about adult learning.

14.9.3 Training Techniques

A successful trainer needs to understand what makes people learn and accept new things. He should have clear knowledge about the different techniques of training. He should be able to employ such techniques, for maximum results.

14.9.4 Ensuring Participants' Participation

To ensure effective learning, the training session must be interactive where participants freely participate. Some of the methods employed for ensuring trainee participation are:

- Discussion Groups: Trainees are divided into groups and given various topics, issues etc. which they have to discuss amongst themselves and come up with probable solutions.

- Questions and answers period, after each session.

- Decision making exercises, e.g. finding product benefits and converting them into sales presentations for various types of customers.

- Demonstrations: These can be either trainees acting out certain role plays or video demonstrations or demonstrations by the trainer.

- Case studies: Participate in an attempt to find the best possible solution for a real life problem.

14.9.5 Course Organization

Once the total written material for a course is ready, the session can be put into practice. A good trainer will always keep in mind some basic rules of organizing a training session, like :

- Punctuality is essential.
- All material related to training like, slides, demonstration pieces, samples, etc. , must be carefully checked before the programme.
- The room where the: training is to be held must be checked for adequate lighting and seating arrangements.

14.10 Training Follow Up

Training follow up refers to the time immediately following the training. This may vary from the time when learners are still a captive audience, to possibly months or years after the training. What happens after training is vital to any training session. After any training session you must gather and analyse feedback to review training. Measure and analyse results especially in relation to job performance. Provide additional inputs, if these have been a shortfall, of similar training programmes are organised in future.

14.11 Summary

In order to meet the sales and marketing objectives successfully, it is necessary for each organisation to train their sales personnel, as objectively as possible. The training activities should be tailored to the specific needs of the sales personnel and the typical market situations they face. Therefore, it becomes mandatory to identify the training needs. Once the training needs have been identified, then commences the process of executing the training programme. Activities, such as identification of teaching material, appropriate trainer and training methods, all should be decided, as carefully as possible. Lastly, one should learn from one's experience and therefore, evaluation and review of a training programme is also an important and integral component of any training activity.

14.12 Self- Assessment Questions

1. How an applicant, before accepting a job, could appraise himself of the quality of training that will be provided to him?
2. Why is sales training a continual managerial activity?

3. Why is product knowledge also considered to be a sales related training need?

4. Why do sales trainers rely so much on role-play in teaching sales techniques? Discuss its advantages over other training methods?

14.13 Suggested Books/ References

1. S. Neelamegham, Marketing in India, Cases and Readings Vikas Publishing House Pvt. Ltd.

2. Richard R. Still, A.P. Govaui, Edward W. Cundiff, 1988. Sales Management, Decisions Strategies and Cases, Prentice Hall of India Pvt. Ltd.: New Delhi.

3. Philip Kotler, 1988. Marketing Management, Analysis, Planning Implementation, and Control. Prentice Hall of India Pvt. Ltd.: New Delhi.

UNIT 15: COMPENSATION AND MOTIVATION OF SALES FORCE

Unit Structure

15.0 Unit Objectives

The objective of this unit enables you to:

- Describe the importance of compensation
- Explain types of direct and indirect compensation
- Discuss compensation schemes used by different companies
- Enumerate factors influencing design of compensation schemes
- Explain the need for motivating salesman
- Discuss the different motivational techniques.

15.1 Introduction

The sales force of any company needs to be compensated adequately to keep its morale high and to enable it to contribute to its maximum. The direct salary and allowances etc. are similar for all kinds of companies. However, the indirect benefits (such as incentives and perquisites) provided by each of them may differ. The general trend is towards increasing the indirect incentives of the sales force.

A sales force is the representative of the company's philosophy and business principles. It is the medium which builds the company's perception among its clients. The building of the sales force is a phenomenal task but its maintenance, as you will agree, is also important. This is possible through proper compensation schemes including provision of indirect benefits in a planned manner. In this lesson we shall

study the methods adopted by companies in designing their compensation packages and in keeping their sales force motivated.

15.2 Types of Compensation (Direct)

As mentioned above, the direct compensation package for a salesman is more or less the same in all companies. However, as you must have also seen in your experience, a company employing a technical person as a salesman for selling, say, industrial or electronic products may offer a high basic salary. Sometimes, when the product is in the introductory stage the function of the salesman is to create new markets and make customers understand how to use the product as in the case of a new consumer durable product like Vacuum Cleaners or a new electronics products used by certain industries; the basic salary of the salesman may be on the higher side.

The direct compensation package of a salesperson thus consists of the basic pay + allowances covering all travel and entertainment expenses etc. In case, the salesman stays overnight his boarding and lodging allowances are also provided for. All the expenses needless to say, are budgeted and controlled as per the salesman's route into the cycle of travelling. The salesman is normally required to present necessary vouchers to get his; expenses reimbursed.

The basic salary and other allowances are revised from time to time. They also increase with promotion of the salesman. More important than the basic salary are the other benefits available to the salesman.

15.3 Types of Compensation (Indirect)
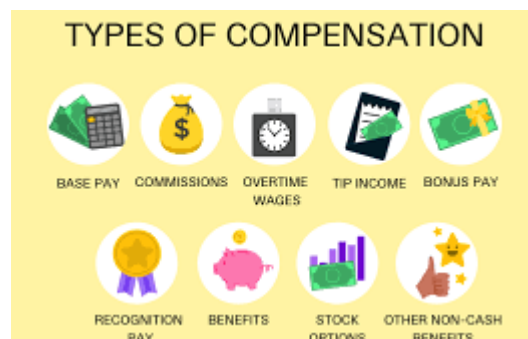
Exhibit 14.3: Learning Styles

Trainer's Abilities

These consist of financial as well as non-financial incentives. The financial incentives are again in more than one form:

i) Salary plus commission on sales above a certain amount

ii) Salary plus a share in profits

i) Salary plus commission on sales above a certain amount

Herein, the salesman receives direct salary and a commission in addition to it. Every salesman is assigned a fixed quota, territory wise/customer wise to be achieved in a fixed period of time. The commission is awarded on achievement of the targeted quota. Again, a fixed percentage of sales achieved over and above the target is also set. This type of compensation scheme ensures a direct salary as well as an in-built motivation system through incentives.

This method for compensation with an in-built incentive scheme is adopted by most consumer non-durable as well as consumer durable companies. Certain industrial product companies and financial service companies, insurance companies, also are increasingly adopting this method.

ii) Salary plus share in profits

This is not a very prevalent method. It is generally suggested for a company stilling high value items with high profit margins. The incentive here is based on profits earned. Herein, the selling expenses to sell a product may also be large and this is incorporated in the profit sharing scheme as it acts as a control mechanism. Also salespeople working to obtain contracts are generally given a share in profits rather than awarded on direct sales.

Non-financial incentives

The trend these days is to provide other non-financial incentives like:

- Training programme
- Awards, recognitions and prizes.

Most companies offer training programmes for their salesmen. On an average a salesman has to undergo a training course every one or two years. These programmes enable interaction between salesmen of different territories as well as provide them with latest developments in the field. These training programmes are viewed as an indirect benefit by the salesmen. They may be held in the company premises or

preferably at an outdoor locale. They break the monotony of the salesman's job as well as make him feel a part of the company team. A sense of belonging is cultivated which also motivates him. Certain companies with foreign holding companies may also send their salesmen for training abroad, providing them with good opportunities to learn about their field.

In addition to training programmes the award ceremonies for outstanding achievements in sales are held in exotic locales like hill stations or five-star hotels. The awards are presented through foreign dignitaries or important people in the field, thus providing the salesman with the much needed recognition.

15.4 Case Studies on Compensation Schemes

Let us now take a look at the sales force compensation scheme followed by Videocon International Ltd. This company markets Televisions, VCRs, Washing Machines and Audio products. The organisation structure of its marketing and sales department is given below.

The group general manager for marketing is responsible for overall sales and marketing of all the products of the company. There doesn't exist any separate product marketing managers for the different products. The group marketing manager is assisted by the deputy general managers who are two in number for all the four sales zones. The deputy sales manager is in turn assisted by the regional sales manager. An area sales manager reports to the regional sales manager. The field force under the area sales manager consists of the senior sales officer who controls and directs a battery of 6-25 sales officers depending upon the size of the region allotted to them which is generally a state. Thus, for example, Maharashtra has 25 sales officers, whereas Delhi has about 6 sales officers.

Figure 15.1: Marketing Department

The function of the sales officer is to follow the dealers; look at orders; look after sales and service; report competitors' activity, stock position with dealers etc.

Given the greater popularity of the company's products, the salesmen territorial quotas are fixed on the basis of the production and supply capacity of the company rather than the demand in that particular area. The demand for the product, according to the company, is adequate in most regions and selling is more a function of production rather than the selling skills or promotional tools employed by the company. As such, there exists no reward system for compensating the salesmen on achievement of targets although it is an important criterion in the evaluation exercise. Every salesman has to report on the basic activities performed by him as a daily routine.

The company has set aside certain budgeted entertainment allowances for its sales force to maintain and develop good dealer relations. These entertainment allowances are generally very liberal and go a long way in providing the sales officer with the additional incentive or indirect benefits which he expects. A direct reward system is replaced by such an indirect system to keep the sales officer motivated.

A 6-month performance evaluation exercise is carried out to aid in promotion as well as streamlining of sales force. The parameters used are allotted a total of 1000 marks which are allotted to:

- Target achievement
- Utilisation of material
- Personality
- Merchandising
- Dealer relations
- Integrity
- Loyalty
- Rapport with Top Management

Target achievement is allotted a maximum of 250 marks followed by the last three parameters which are subjective in nature. Thus both personal relations as well as expertise in selling are considered important by the company.

From this case study we can see that the company being in a sellers' market as of to-day can afford to have a less complicated compensation structure with no direct incentive system. The sales force is motivated by providing them with a good lifestyle through entertainment allowances as well as treating them as a part of the Videocon family, The human relations forms the basis of motivation rather than just comprehension in terms of money in this company.

15.5 Factors influencing Designs of Compensation Schemes

Although the basic structure of a compensation plan may be similar across the companies, some factors do predominantly shape the structure of the company's compensation plan.

i) The Relation with product life Cycle

The amount of selling effort is directly related to the stage at which a product is in its life cycle. The compensation structure is a function of selling effort. So, in effect, the compensation structure is an indirect function of the selling effort.

When the precinct is in the introductory stage the company needs a dynamic sales force which can establish the product in the desired market. The sales force must be enterprising, willing to travel, take criticism easily, have a good knowledge of the product, have good communication skills and last but not the least, have tremendous stamina to work. To keep such a sales force motivated, adequate compensation is the basic need. So, in the introductory stage of a product, the direct salary may be on a higher side but indirect benefits may not be introduced at this point.

In the growth stage, the motivation of the sales force has to be sustained to exploit all the opportunities available in the market. They have to approach the market with renewed vigour. At this point indirect compensation schemes which are incentive linked play an important role. Incentives linked with achieving targeted quotas; giving adequate feedback on market and competitor activities will keep the sales force happy and at the same time help the product in its growth.

When the product has firmly established itself, the sales force also needs a break from the monotony. Other indirect benefits like training programmes in good environmental locales ; foreign trips for training and understanding markets; promotions to many responsible positions are the requirements at this stage. These programmes not only enhance their knowledge but lend a new direction of looking at things.

Different Factors Affecting Employee Compensation

This slide is 100% editable. Adapt it to your needs and capture your audience's attention.

Internal Factors
- Ability to Pay
- Business Strategy
- Job Evaluation and Performance Appraisal
- Text Here
- Text Here
- Text Here

Employee Compensation

External Factors
- Labour Market
- Cost of Living
- Government
- Labour Laws
- Text Here
- Text Here

Exhibit 15.1: Factors influencing Designs of Compensation Schemes

With the break in monotony, certain problems with the product which may have started emerging get due consideration. Schemes for sales promotion and dealer promotion which are inevitable at this stage can be designed with a fresh outlook. The basic increase in salary and incentives, however, are made as per schedule.

When the product is in the decline stage some fresh incentive schemes may be introduced in the compensation scheme to generate fresh interest in the product. The number of people involved with the product has also to increase marginally. The existing product managers who may be concentrating on a more successful product at this stage would require added incentives to revive the declining sales of the product concerned.

You are already familiar with the PLC curve. Incorporating the discussions we have had above a PLC curve in relation to changes in compensation over time would look like Fig. 15.2

Figure 15.2: Compensation during stages of Product life Cycle

ii) Compensation Related with Demographic Characteristic

You might be slightly surprised to know that in practical situations the compensation package preferred by the salespeople depends upon their demographic characteristics also. Their age and size of family or number of dependents play an important part in the preference for a basic salary and/or incentives. However, this cannot be generalised and depends largely on the individual. The table below classifies the preference according to demographic data.

Salesman		Preferred Job	Preferred Compensation Style
Age	Family size		
20-28	Bachelor	High risk High reward Aggressive Company	Straight Commission or Incentive
28-35	Married with one-two young children	Established company stability	Intensive plan Basic + Incentive— preferably with higher basic component
35 & above	Married with growing up children	Stability and steady job	Preferably straight salary basis

Source: Marketing in India by S. Neelamegham.

Table 15.1: Compensation related with Demographic Characteristic

iii) Role of selling in marketing strategy of the company.

iv) Competitor's practices.

15.6 Criteria for Designing a Compensation Package

We can now set a few important criteria which must be kept in mind while designing a sales force compensation package. These are primarily:

i) The budget set for the compensation of sales force;

ii) A proper study of job requirements is the second step followed by a concise job description;

iii) Defining the organisational hierarchy of the sales force the role and function of each responsible person in the structure;

iv) The current trend in the competitors selling similar products in the similar markets;

v) The company's policy of motivating salespeople whether through an in-built incentive system or through provision of indirect benefits like entertainment allowance/liberal travelling allowances, other out of pocket expense reimbursements;

vi) Formal and compulsory training programmes for all sales personnel to make them feel a part of the company as well as to develop their skill and provide them with the necessary break from the monotony of daily routine sales reports;

vii) Human resource development programmes to create a feeling of attachment towards the task at hand and imbibe the culture of the organisation.

The present day trends lay greater emphasis on the last two mentioned considerations along with a direct compensation programme inclusive of direct salary. With selling having become more and more difficult a satisfactory compensation package is a must to avoid high turnover within the sales force.

15.7 Motivation of Sales Force

Motivation is generally regarded as the process of getting people to work towards the achievement of an objective. Ideally it should go beyond the achievement of company objectives, plans, forecast or targets and help the -company win commitment of sales force to the company.

The Sales force is primarily responsible for achieving the sales targets and as already mentioned the sales force cannot be controlled, administered in the way factory

workers or office staff can be monitored. The sales force is required to be self-starters, highly ambitious, result oriented and go-getters. All the sales situations cannot be predicted and pre-planned in view of the dynamics of the marketplace.

Effective selling, therefore, requires creative skills. Thus, the sales force has to be kept highly motivated and committed both externally as well as internally.

Attracting and maintaining a well-motivated sales force is a challenging task. The confidence and motivation of a salesperson gets worn out by the inevitable rejections he suffers from customers as part of his everyday activities. In some situations such as selling office automation products (Electronic typewriters, Computers, Xerox machines), consumer durable (television, refrigerators, scooters etc.) rejections may greatly outnumber successes. Thus the motivation of the salesperson poses a major challenge to the management. The challenge of motivation is magnified by the fact that the salesperson and supervisor are normally geographically separated; as a result the salesperson may feel isolated and even neglected. He is prone to frustration of success and failure coupled with extra working hours. He requires extensive travelling, many days of separation from family and a sense of risk involved in travelling. Above all he has to live in an environment of competitiveness with his own colleagues to meet his targets. In a market situation characterised by keen competition he is constantly exposed to the offerings of the competing manufacturers - in terms of their sales compensations packages, working conditions, etc.

All these peculiar conditions, therefore, require an understanding of the motivational needs of salespeople by the management.

15.8 Motivation and Needs

While studying motivational theory, behaviour research studies have revealed that motivation can be created if needs can be studied, evaluated and predicted and fulfilled. We know that various types of needs arise out of ambitions/dreams and all needs create tensions leading to that extra bit of effort and activity which help fulfil these needs and achieve the goals. Hence to study the motivational pattern of salespersons/sales executives we need to study the process of creating ambitions, leading to arousal of needs and hence to that extra activity.
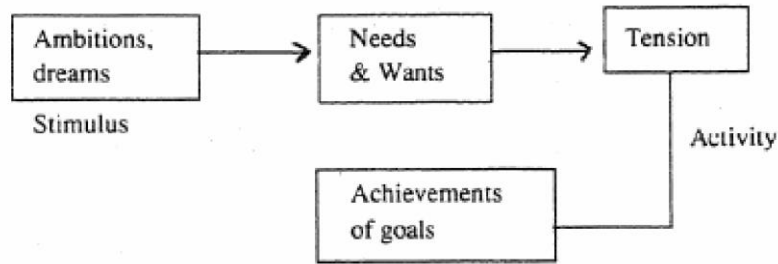
Figure 15.3: Process of creating ambitions

Every salesperson has different types of needs, goals, and problems in his life and the leader i.e. sales executive has to understand these needs of each individual salesperson of his team before applying the principles of motivation.

According to A.H. Maslow needs can be classified into five categories.

1). **Physiological Needs** Food, clothing, shelter are primary needs which are ordinarily satisfied.

2). **Safety Needs** Protection ITOM threat, danger and deprivation etc.

3). **Social Needs:** Need to feel that everyone belongs to a relationship, to feel as being accepted as part of the society.

4). **Ego Needs:** Needs which satisfy enhancing of self-image, self-esteem, self-respect and achievement. Salespersons in general have a high level of ego needs.

5). **Self-Actualisation Needs** These are the desires of self-development, self-fulfilment and self-growth.

As you all know, the level of the needs and understanding of the sales personnel do not remain stationary. As the sales personnel grows in life, in age and career, his needs shift and to keep the motivational level high, the supervisors and sales manager must be able to foresee such changing needs and desires and must manage for these needs.

15.9 Sales Person and motivational technique

The simple motivational tools of early years such as only financial benefits prove to be a poor method of motivation beyond physiological and safety needs satisfaction on account of the unique aspects of a salesperson's job.

The non-financial incentives, thus, become an important component of the motivation mix of a company. These are especially relevant as Dawson has pointed, "Business is on the threshold of a new era of human and social concern, which will inevitably result in greater attention to total human resource development by sales management."

Two Surveys

A study was conducted to analyse the factors which motivate salespeople employed in the pharmaceutical industry in India and to examine the extent to which they perceive their need -fulfilment their job. More specifically its objectives were to find out:

a) The kind of needs of salesmen which according to them must be fulfilled as per their jobs and relative importance.

b) Salesmen's perception of their need fulfilment, and deficiency.

c) How the level of motivation of the sales force could be improved.

The study is based on a sample of salesmen taken from 30 pharmaceutical companies registered with Directorate General of Technical Development (DGTD), India. In order to measure the extent of motivation, a list of need factors that a salesman was expected to satisfy through his job were selected. The results of the investigation are summarised in the tables given below:

| 1st group	Mean	2nd group	Mean	3rd group	Mean
Job security	4.65	**Fair financial appraisal system**	4.38	**Job security**	4.25
Supervisor's approach	4.54	**Job security**	4.29	**Fair financial appraisal system**	4.20
Fair financial appraisal system	4.51	**Fair assessment of work performance**	4.20	**Fair assessment of work performance**	4.10
Fair assessment of work performance	4.49	Technical equipment of the workplace	4.20	**Base salary**	4.05
Information about performance results	4.48	**Base salary**	4.14	Information about performance results	4.03
Profit sharing	4.46	Leadership style	4.14	Supervisor's approach	4.00
Base salary	4.45	Time for personal life and free time	4.14	Time for personal life and free time	4.00
Workload and type of work	4.44	Fair appraisal system	4.11	Information about enterprise results	3.98
Leadership style	4.43	Social security for the employee	4.11	Profit sharing	3.96
Work environment	4.41	Work recognition	4.08	Fair appraisal system	3.92

Note: The important motivational factors, same for all groups, are highlighted in bold.

Table 15.2: Motivation Perception of the Sales person

Institute of Marketing (PA Consultant, 1979) conducted a study into the sales force motivational practice by asking the sales managers to rank eight factors excluding financial benefits (i.e. salary, bonus, commission) which could be effective in motivating their sales-force to improve upon their usual performance.

Maslow	ERG	Herzberg	McClelland
Self-Actualization • Highest need level. • Involves an individual's desire to realize full potential • Can be satisfied without this level. **Esteem** *Self-esteem* • Need for personal sense of accomplishment, mastery. *Social-esteem* • Need for respect, recognition, attention, and appreciation of others **Social** • Need for love, affection, sense of belonging in one's relationship • Dealings with friends, family, and colleagues falls in here. **Safety and Security** *Relationships* • need for security in relationships *Physical* • need for security, protection from future threats, and stability. **Physiological** • Basic needs: food, water, etc.	**Growth** • Desire for continued personal growth and development **Relatedness** • Desire to satisfy interpersonal relationships **Existence** • Desire for physiological and material well-being	**Motivation Factors** • Improving factors leads to satisfaction, effort, and performance. • Related to job content; what employees actually do. • Factors: (1) achievement (2) recognition (3) work itself (4) responsibility (5) advancement (6) growth **Hygiene Factors** • Improving factors prevents dissatisfaction. • Related to job environment more than nature of work itself. • Factors: (1) policies and procedures (2) supervision (3) relations with supervisor (4) work conditions (5) salary (6) relations with peers (7) personal life (8) relations with subordinates (9) status (10) security	**Need for Achievement** • a drive to pursue and attain goals • accomplishment is important for its own sake **Need for Competence** • a desire to do quality work • want to develop skills **Need for Power** • desire to influence others • desire recognition of others **Need for Affiliation** • a drive to relate to people effectively • desire for close relationships

Exhibit 15.2: Summary of Theories
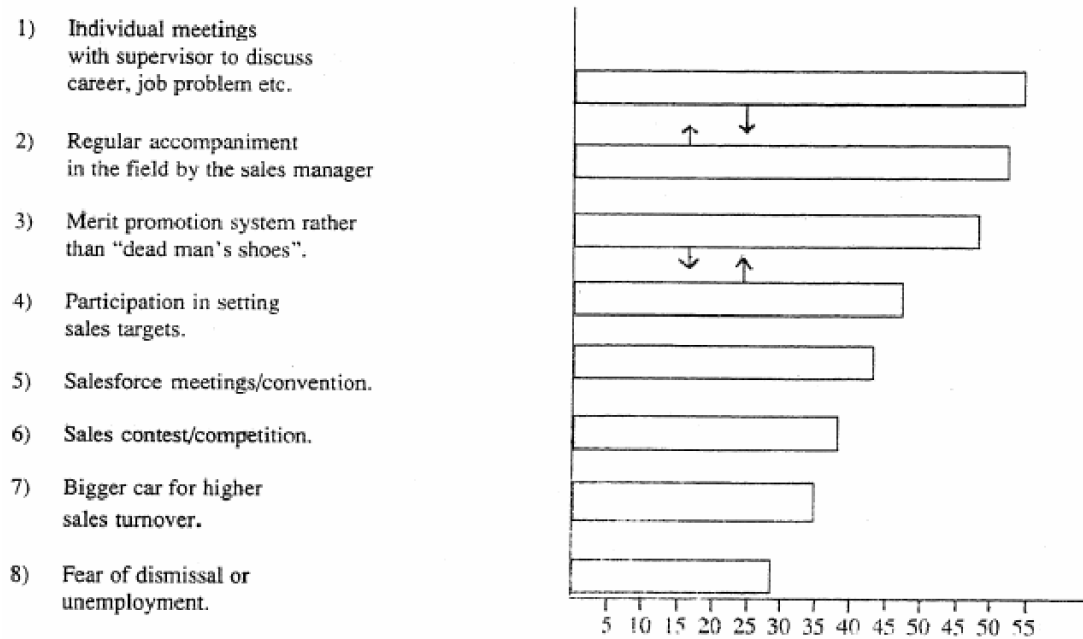
Figure 15.4: Sales force Motivational Practice Chart

The findings of the study showed that individual meetings between sales managers and salesmen were thought to be the most effective of the eight factors taken. Sales contests and competitions were ranked only sixth in importance, although a more detailed analysis of questions revealed that this form of motivation was ranked first among the consumer goods companies replying to the questionnaire.

Some of the unconventional factors that make a special mark on sales force motivation are discussed below:

1) **Meeting between Manager and Sales force**

These are highly regarded by sales managers in the motivation of their sales teams.

This provides opportunity to managers to meet their sales force in the field, at head office and at the sales meetings/conventions. This provides a number of opportunities for improving motivation.

These meetings allow the sales manager to understand the personality, needs and problems of each salesperson. The manager can then better understand the causes of demotivation/frustration in the individual salesperson and respond in a manner which takes into account the needs, problems and personality of the salesperson. Sales techniques can be improved and confidence boosted. According to Likert, when the sales manager encourages an open style of management, salesmen are encouraged to

discuss their problems and opportunities so that the entire sales team benefits from the experience of each salesman. This results in a greater sense of group loyalty and improved performance. The success of the marketing can be easily attributed to the open door policy adopted by companies in India. As one manager put it, "I know all my team of 166 sales representatives personally, by name and make it a point to keep in touch with all of them. They can walk in any time with their problems and they have got the confidence that most of their problems will be handled to their satisfaction."

2) Clarity of Job

Clarity of job and what is expected from the salesperson is a great motivator. The objectives when duly quantified and well defined properly connected and linked with the reward and recognition serve as source of motivation to the salesperson.

3) Sales Targets or Quotas

If a sales target or quota is to be effective in motivating a salesperson, it must be regarded as fair and attainable and yet offer a challenge to him. Because the salesperson should regard the quota as fair, it is usually sensible to allow him to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and he will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 per cent, then salesmen's quotas must be altered in a manner consistent with this objective. Variations around this average figure will arise through the sales manager's knowledge of individual salesperson and changes in commercial activity within each territory; for example, the liquidation of a key customer in a territory may be reflected in a reduced quota. Quotas can be set on Rupees sales, unit volume, margin, selling effort or activity and product type. The attainment of a sales target or quota usually results in some form of financial benefit to the salesperson.

4) Sales Contest

The sales contest is an important tool to motivate salespeople. The purpose of the sales contest varies widely. It may encourage a higher level of sales in general, to increase the sales of a slow-moving product or to reward the generation of new customers. It provides an incentive to show better performance and secure more satisfactory results. However, sales contests have a few disadvantages, one such disadvantage is that it can encourage cheating. For example, in one company which used a sales contest to promote sales at a series of promotional events around the country with its dealers,

salesperson "stored up" orders achieved prior to the events in order to increase the apparent number of orders taken at the events. Also, contests, by pitching salesperson against salesperson, militate against the spirit of mutual help and cooperation which can improve sales force performance.

5) Sales Conventions and Conferences

These are the devices of group motivation. They provide opportunities for salespeople to participate, gain social satisfaction and express their views on matters directly affecting their work. They promote teamwork, dissolve social barriers, inspire and raise salesperson's morale. Most of the companies in India are now-a-days adopting this method to motivate their sales force.

6) Positive Affect

The positive affect method is also an important technique for motivating the sales force to their best.

The proper application of praise, positive feedback, and human warmth and understanding can impel others to perform up to their capabilities. This must be done in a genuine way and not be perceived as overtly self-serving.

Another form of motivation through positive affect occurs via small group and peer relations. Friendship, support and comradeship frequently serve as vehicles for creating positive feelings towards the company and job.

7) Leadership Style of the Manager

Leadership style of the manager plays an important role in motivating the salesperson. Inspirational leadership, which refers to influence through referent power, identification or charismatic charm is an important tool in the motivational strategy of the management. It infuses the images and expectations for extremes of effort, sacrifice, achievement and in general "the right stuff ". It is practiced through the use of professional speakers' special audio tapes and videotapes designed to arouse and stimulate salespeople. It also tries to create and perpetuate certain corporate myths and success stories, which indirectly motivates salespeople to perform at their best.

8) Freedom to Work

In order to perform the onerous duties and responsibilities, the salesperson must be given a reasonable amount of freedom and discretion in performing their job. Likert in his studies has mentioned that lack of enough discretion has a negative impact on employees job satisfaction. Discretion and freedom may be accomplished by allowing

salespeople to develop their own call patterns, more control over the types of promotional packages that are offered to their customers etc.

Freedom or autonomy satisfies the psychological needs and is like power pay (which is a reward), making the job of salesperson merely important in the organisation.

9) Reward and Recognition

Although sales quotas, sales contests, conventions and conferences have positive carry over effects, these are short lived techniques of motivating salesman. On the other hand, reward and recognition of salesperson accomplishments are more enduring and relatively economic methods of motivation. Some of the ways to extend recognition and honour to salesperson include conferment upon the title of "salesman of the month/ year." Congratulations telegrams from members of top management, sales trophies, offering membership of social clubs, mention in company newsletter, certificate etc. Recognition and honour satisfy salespeople's need for self-esteem and self-respect. These are like status pay - a public acknowledgement of the value that management places upon an individual.

10) Persuasion

One of the more common and recommended forms for inducing high levels of to convince salespeople that it is in their own best interests to act in a preferred way. Persuasion has the advantage of getting people to conclude that their actions were performed out of their own free will. This leads to higher levels of self direction than reward or coercive modes of influence where one perceives he or she acts more as a function or external compulsion than internal volition.

Financial Incentives

Now we come to the financial aspects of the motivational technique.

Financial incentives are definitely a motivating factor, but it varies at the hierarchical level of the salesperson. The need is great at the lower end of the salesperson. It not only keeps sales-person on the company rolls but also motivates them to contribute to the growth of the company and thereby get grown individually. It is also an important managerial tool to control and direct the sales force to attain the sales objectives.

A poorly developed or administered financial plan may invite unions to organise a sales force as happened in some of the pharmaceutical companies in India.

Therefore in the management and motivation of the sales force, a fairly reasonable financial incentive plan plays a very important role and "a sales force cannot be

considered soundly managed unless there is a well-developed and well administered compensation plan".

15.10 Summary

In this lesson we have studied the various dimensions a compensation scheme for a sales-force can assume. Both direct and indirect compensation play a vital role. However, indirect compensation is assuming greater importance, of late. Factors like the PLC, demographic characteristics of the sales force; sales strategy, competitors practices, company policy on motivation and retention; budgeted amount for compensation etc. A case study on Videocon Appliances, a growing consumer durable company, indicates the strategy adopted in the-introductory stage. We can say in the conclusion that maintenance of the sales force through adequate compensation schemes is imperative for the growth of any company. A sales force compensation plan should be simple enough for every salesperson to understand and fair enough for every salesperson to remain motivated.

Motivation of salesmen which forms the other aspect of this chapter is among the most important responsibilities of salesmen. It is not something a manager adds after the organisation has been set-up and is in operation. It involves a basic relationship that is built into the organisational structure.

Behavioural scientists have classified motivational needs. According to them each individual is a different entity and hence to understand what would motivate the salesperson, individually the nature, character and needs of the individual have to be understood. Within the available resources of the organisation and the limitations these have to be fulfilled to achieve the results with high productivity. The sales manager/supervisor plays an important role in motivating his sales force as he interacts most with his sales force and can understand and empathise closely with the sales personnel. His role as a primary source of understanding his team and motivating his team is of great importance. In order to be a good motivator, he has to be a capable leader with the leadership style suiting the particular environment and conditions.

15.11 Self- Assessment Questions

1). Why is it necessary to have an adequate compensation package for the company sales-force?

2). How does the compensation package differ between the companies selling different types of products?

3). What are the basic components of a compensation package?

4). Describe your views on training programmes as an indirect incentive to salesmen?

5). How do factors like PLC and demographic characteristics influence the compensator scheme offered?

6). What are the factors affecting the motivational needs of salesmen?

7). Comment upon the non-financial incentives given to salesmen?

15.12 Suggested Readings/ References

1. S. Neelamegham, Marketing in India, Cases and Readings Vikas Publishing House Pvt. Ltd.

2. Richard R. Still, A.P. Govaui, Edward W. Cundiff, 1988. Sales Management, Decisions Strategies and Cases, Prentice Hall of India Pvt. Ltd.: New Delhi.

3. Philip Kotler, 1988. Marketing Management, Analysis, Planning, Implementation, and Control. Prentice Hall of India Pvt. Ltd.: New Delhi.

UNIT 16: MONITORING AND PERFORMANCE EVALUATION

Unit Structure

16.0 Unit Objectives

16.1 Introduction

16.2 Monitoring - Needs and Objectives

16.3 Parameters used to Monitor Sales force

16.4 Contents of a Sales Report

16.5 Basic Sales Reports and their Analysis

16.0 Unit objectives

After studying this unit you should be able to:

- Explain the need and purpose of monitoring systems
- Explain the monitoring systems used for sales personnel
- Describe the various types of information sought through sales reports
- Discuss the quantitative and qualitative criteria used for performance appraisal
- Evolve a composite measure for evaluating sales performance.

16.1 Introduction

Even the best organised sales department will not function effectively unless the sales effort is planned and controlled on a regular basis. Sales reports form the basis for the monitoring of sales personnel. Finns need regular sales information on effort by product line, customer type or by geographic segment for appraising then salesmen and analysing their profitability. Most organisations today have formal performance appraisal systems to aid them in evaluating their sales force. In this unit, you will learn about the processes for monitoring the sales effort and the procedures for performance evaluation generally used for sales personnel.

16.2 Monitoring – Needs and Objectives

Once the sales plan has been put into action, it is important for the sales manager to know whether the sales effort is being operationalized in the way it was expected to be. Organisations depending upon their own needs, through periodic reporting or field visits, design a monitoring system, to keep them informed about the activities of the sales-force on a regular basis. Monitoring has been explained as "keeping abreast of the salesmen's activities through a formal feedback system. It is a vital aid in controlling the sales effort, and by furnishing a wealth of data about the salesperson's day-to-day activities the monitoring system becomes an input in the formal appraisal of the salesmen's performance. Sales reports are the basic tool used for monitoring sales personnel. The sales manager uses the information from these reports to judge whether sales personnel are calling on and selling to the right people and whether they are making too many or too few calls.

A good monitoring system also helps the sales management in determining what can be done to secure more and larger orders. The data furnished by the sales reports is processed to gain insights in the type of direction and help that can be given to field sales personnel.

A well designed monitoring system also aids in the self-improvement of the salesmen. Regular recording of their own accomplishments forces individuals to take a stock of their own work, compare it to their own past performance or their aspirations, and leads them to a periodic self-evaluation, which may become an effective motivating force. The basic purposes for which a good monitoring system is designed could be :

a) to keep the sales manager informed about all the sales activities of the sales personnel.

b) to enable the sales manager to get data for evaluating performance; for example, details of prospects called upon, number of calls made, number of orders obtained, days worked, kilometres travelled, selling expenses incurred, displays arranged, missionary work performed etc.

c) to enable the sales manager to detect deviations from standard performance and take timely remedial action.

d) to help the salesperson plan his work e.g. in planning specific approaches for specific accounts; planning a travel schedule etc.

e) to record consumers reactions and complaints in respect of new products, price changes and service policies.

f) to record information on competitors activities e.g. new products, changes in promotion and pricing, changes in service and credit policy etc.

g) to record information on local changes.

h) to build a rich database of territorial information which can be put to a variety of uses.

i) to furnish information requested by marketing research- i.e. data on dealers sales, product wise.

16.3 Parameters used to monitor sales force

The monitoring of sales force is closely related with the monitoring of sales. One depends on the other. The sales performance of a company and its sales force is measured using a number of parameters on a continuous basis. Some of the commonly used parameters are :

i) Sales per salesman, per dealer, per product

ii) Expense to salesman, ratio for each dealer and salesman

iii) Calls per day

iv) Order call ratio

v) Average cost per call

vi) Direct selling expenses

vii) Profit contribution analysis

viii) Number of accounts

ix) Number of customer complaints.

Exhibit 16.3: Seven main Stages in a Sales Pipeline

The emphasis in monitoring is on gathering information on day-to-day activities with respect to the chosen parameters and taking a timely stock of deviation from expected performance. Monitoring therefore is a way of achieving day-to-day control over the sales effort.

As mentioned earlier, two of the most common methods of monitoring sales performance are through sales reports or through field visits by the field sales managers.

The details required in sales reports vary from company to company. A company with a decentralised large field sales organisation covering a wide geographical area needs more detailed sales reports than a company using a few salesmen covering a compact area. Generally, the greater the discretion the salesmen have in planning and scheduling their own activities, greater the details required in the sales report.

16.4 Contents of a sales report

Though the format of the sales report will vary across companies, some basic components are common to the sales reports in all organisations. Some of these components are:

a) **Progress report:** This part of the report is meant to give information on the progress or day-to-day work done by the salesman. It may be prepared after each call, or cumulatively for calls made during a specified period. This component furnishes valuable data on the company's position in different territories and in respect of each account. Usually the progress report also records information on specific class or customers, extent of competitive activity, best time to call upon the competitor items which become valuable input in future sales planning.

b) **Expense component:** Since all salesmen are reimbursed for expenses incurred or are given an expense account for which they have to account for, most sales reports have on expense component. The objective of incorporating this component is to keep a check on the nature and extent of salesmen's expenses.

c) **Work plan component:** Usually for a week or a month in advance, salesmen are expected to submit a work plan or call schedule: The work plan may include details of prospective and present customers to be called upon, routes to be taken, the non-selling activities to be performed etc. The main aim is to help the salesperson in his planning and scheduling activities and keep a track of his whereabouts. This component also helps the management in the process of control by allowing comparisons of salesman's plans and accomplishments.

d) **New business or potential business component:** The report may require the salesman to inform on accounts recently obtained or those who may become sources of potential business. This component furnishes information on the prospecting capabilities of the salesperson.

e) **Lost business component:** As salesmen are required to sell under competitive conditions, they may at times lose prospects to competitors. This component of the report provides information on* the salesman's ability to retain customers. It can also be utilised to develop pointers for gaps in sales training changes in service and credit policy and product improvements.

f) **Complaint and adjustment component:** This component is related to the specific complaints that a customer or class of customers may have in relation to the work of the salesman, the product or the company policy and the adjustment if any made by the salesperson. The information generated is useful in detection of needed product improvements, service improvements and changes in merchandising practices.

16.5 Basic Sales Report and their Analysis

You are now familiar with the type of information sought through the sales reports. This section discusses the basic types of sales reports and explains how they can be analysed to monitor sales performance. (Some standard formats of reports used to monitor salesmen are given in Appendix.)

Weekly sales report: The basic sales report to be prepared by the salesman is a daily report or a weekly report depending upon the type of product and its movement. This report forms a basis for estimating the future trend of sales of individual products/brands. It also assists in production planning, cost planning and product portfolio planning.

A summary of the daily/weekly reports for all the branches is made on a monthly basis to arrive at total sales for the month and to study its variance from estimated sales. The budgets for the next month may be revised accordingly. At times sales in a particular territory/area may be affected on account of stock-outs; as a result, more stocks need to be sent.

Weekly Sales Report—Format

Weekly sales report for week ending.....................

Tonnage

Week	Current Cumulative % change on last year	Comparison with same week last year	Comparison with last week	Remarks
Product A				
Product B				
Product C				

Figure 16.1: Weekly Sales Report Format

A study of weekly sales estimates reveals the seasonality of sales, if any. This enables proper production planning and monitoring of sales performance. Condensing of monthly figures into quarterly figures is used to establish sales estimates for the next quarter.

Apart from the basic volume analysis information on other parameters is also sought:

i) The value of goods sold gives the contribution from each product. This contribution needs to be maximised.

ii) Sales are broken down geographical area wise to assess the potential demand and monitor salesmen performance in the light of this information.

iii) A customer wise break-up of sales indicates whether the right kind of customer is being serviced or whether the salesman is concentrating on a segment which is not a prospective buyer in the long run.

Regional sales analysis: The strength of sales region wise is indicated through this analysis. Variation in regional sales reveals the effectiveness of particular localised sales developments and the importance of competitors in different regions. The regional sales figures are adjusted for the area of the region as also the size of the population of that region.

The boundaries of the regions should be permanent so that trends over a long period of time can be watched. The unit upon which division will be based is the buying area. Depending upon the type of product the buying area will differ.

In addition to value, volume, product wise and area wise categorisation of sales it is also important to study the volume of sales through different types of outlets such as sales through wholesalers or direct to retailers - which are further classified into cooperatives; departmental stores etc. This has implications on the distribution channel effectiveness and proper monitoring of salesmen performance. A summary of monthly, quarterly and annual value sales by areas can be presented in the following format:

Value of sales for period ending ....

	Product A			Product B			Product C			Total		
Area No.	Last Qtr.	This Qtr.	% Change	Last Qtr.	This Qtr.	% Change	Last Qtr.	This Qtr.	% Change	Last Qtr.	This Qtr.	% Change

Sales by customer type

	No. of direct accounts	Product A	Product B	Product C	Total
Wholesaler					
Provision Store					
Chemists					
Retailers					
Independents					
Total					

Figure 16.2: Summary of monthly, quarterly and annual value sales by areas

Distribution of Accounts by Size

In this analysis, the total trade of different output types is divided as per the account sizes. The numbers of outlets which fall into each size are ascertained. This enables the management to decide whether the sales generated from the smaller size accounts are commensurate with the cost of running them. The format of this form is given below:

Area No. ————————   Year : ————————

Account Size	Number of Accounts				
	Wholesalers	Chemists	Provision Stores	Retailers	Total
Under Rs. 100	Rs. No.				
Rs. 100-Rs. 250	Rs. No.				
Rs. 250-Rs. 500	Rs. No.				
Rs. 500-Rs. 1000	Rs. No.				
Rs. 1000-Rs. 1500	Rs. No.				
Rs. 1500- Rs. 2500	Rs. No.				
Rs. 2500- Rs. 4000	Rs. No.				
Total					

Figure 16.3: Total trade of different output type format

The reports described above, in addition to supplying the regular information on the different aspects of marketing, reveal certain additional information also:

i) What are the main competitive brands? On what system of distribution do they work - direct sales to retailers, through wholesalers only or both or otherwise?

ii) How do services given by competitors compare with those given by the company?

- Does any manufacturer supply goods on a "sales or return basis"?
- What are the credit terms offered?
- What are the discounts offered?
- Do the competitors give any specialised treatment to some traders?
- Are the in-shop displays supplied by the competitors regularly?
- What is the frequency with which competitors call upon their distributors as also the promptness in delivery? The above analysis seeks to point out the factors which contribute to the competitor's success and the policy the company must employ to counteract it.

iii) The perception of retailers with respect to the company's product and the competitor's product is very essential. The reason to which retailers attribute the success or failure of the leading brands is very essential to determine. The

retailers serve as a vital link between the company and the consumer and it is his opinion which generally forges the link. Also, technical faults in the product, if pointed out as detrimental to sales by the retailers, need to be rectified.

16.6 Performance Appraisal Evaluation

Every sales manager is engaged in the task of appraising and evaluating his salesmen continuously, in an informal way. Informal evaluation however is not enough to arrive at a realistic and astute assessment of the worth of a salesman in absolute or relative terms. The ultimate goal of any evaluation programme is to make a salesman more valuable to the company. In order to achieve this the evaluation programme must involve:

a) A study of the salesman himself - his skills, habits, aptitudes and attitudes.

b) A study of his selling record - his efforts and accomplishments.

c) An analysis of the direction the development function is to take.

Evaluating salesmen's performance is a complex task not only because salesmen are required to perform a variety of activities, but also because different types of selling situations require different kinds of selling skills, which may not lend themselves to equitable comparisons.

In addition, salesmen differ in terms of selling acumen and personal qualities, then territories differ and they are required to spend a large part of their time away from their immediate supervisor. A good monitoring system, as you have learnt in the preceding section, becomes a basis for developing an appraisal system and for evaluating sales performance.

Performance evaluation consists of setting performance standards, both quantitative and qualitative and then periodically comparing them with actual sales performance to judge salesmen in terms of their contribution to the sales objective. The concept of productivity is relevant here. A salesman is considered to be productive only when the results achieved by him offset not only the costs incurred by the company on his account, but also show some contribution towards the corporate profit. Appraisal and performance evaluation systems besides enabling the sales manager in judging the contribution of his sales team and improving its efficiency have also been found to be useful in:

a) Developing salesmanship as an interpersonal influence process.

b) Motivation of salesmen and supervisory leadership

c) Identifying the need for continuous training and development of the sales force.

d) Improving selling aids like demonstration materials, working documents etc.

e) Determining and restructuring salesmen's territories and work assignments.

f) Improving sales planning for example, planning call cycles, routes and visits, job preparation etc.

g) Introducing sound compensation and incentive systems supported by a national evaluation system.

16.7 Salesmen's Evaluation – Some Basic Issues

A sales evaluation helps you determine which salespeople perform well and which don't. With that information, you can reward your sales team members according to their performance. Through the evaluation, salespeople may learn of your expectations and set their goals accordingly. The evaluation may also lead to a promotion for strong salespeople and termination for weak salespeople.

Using Objective Measures

A sales evaluation may contain objective data based on statistics. You may analyze a salesperson's efforts by measuring the amount of work he puts in. For example, you may count the number of sales calls he makes and the number of customer meetings he has. The sales evaluation may also focus on an employee's sales results. For example, you may measure how many products a salesperson sells and how much revenue he generates.

Using Subjective Measures

A sales evaluation also usually contains subjective observation regarding the salespeople's performance, especially when you have little data for objective evaluation measures. For example, you may have just established your sales operation and not collected enough data to sufficiently reflect your salespeople's performance. You may not always keep track of how many phone calls a salesperson makes to each customer or how long each call takes.

When choosing subjective measures, check that each one affects a salesperson's performance. You may look at a salesperson's product knowledge, customer relations, aggressiveness, enthusiasm and compliance with company policies.

Examining Sales Processes

Most companies conduct sales evaluations every year, according to Texas Tech University. You can obtain the information for the sales evaluation from various sources, for example from the sales supervisors, the customers and other salespeople. You may decide to talk to the salespeople yourself or delegate the task to the sales supervisors. Assign enough time to discuss all your concerns regarding the salespeople's performance and give them a copy of the discussion points for their reference.

There are some basic issues involved in all performance evaluations systems for salesmen, which require consideration while the system is being designed. You will note that unless adequate attention is given to these issues they might result in discontentment of these being evaluated. Some of these issues are:

The first issue relates to evaluation based on qualitative vis-a-vis quantitative data. It is obvious that in any qualitative assessment, personal bias and subjective value judgement may vitiate evaluation. On the other hand evaluation based entirely on statistical data may not give entirely valid results as certain important determinants of a salesman's effectiveness (for example personal effectiveness of a salesman in handling consumer relations problems) do not lend themselves to quantitative definition. In addition, selling skills are broadly determined by one's ability to impress, influence or persuade prospects as well as an alternation between aggressiveness and submissiveness depending upon the situation. It therefore is

evident that sales managers, based upon their own set of circumstances, would have to evolve a judicious mix of qualitative and quantitative criteria on which to base the evaluation of their sales personnel.

Exhibit 16.3: Salesmen's Evaluation

Another issue relates to the comparisons between salesmen on the basis of the results of evaluation. Such comparisons can never be on a "man to man" basis since a great deal of human element is involved and different salesmen have to work under different geographical and environmental conditions; and may handle different sets of products or customers.

The third issue is related to the problem of determining standards of performance. The whole evaluation exercise rests on the comparison of actual sales performances against predetermined standards or norms. If these norms or standards are not realistic, the whole exercise would become self-defeating.

Another issue worthy of consideration is the periodicity of evaluation. Evaluation based on very short-term results may not be very correct as it ignores the value of some criteria which are of long-term value to the company. A small example is the effectiveness of a particular salesman in cultivating good customer relations, which may give the company an added acceptability when it introduces a new product. On the other hand, evaluation based on very long-term results is not desirable because if the results are unsatisfactory, it will have a great impact on the operating results of the company for a longer period. Periodicity of evaluation has been found to vary with the type of product sold, industry practice and management's outlook towards control. Yearly evaluations are a very common practice though longer periods are also prevalent, especially in case of capital goods and industrial goods companies.

The last issue here refers to the accounting system or the database of the company as a basis of developing the evaluation system. Actual data taken from typical sales records are not adequate to provide precise comparison of salesmen or salesgroup performance. For example, if the product mix sold by different sales groups differs, it will be difficult to compare the performance of the salesmen in the two different groups merely on accounting data.

You will realise that unless adequate attention is given to these important details, evaluation may not be very effective. The above issues also underline the need for developing an evaluation system involving multiple criteria to make data more comparable.

16.8 Setting Performance with Norms

As noted earlier it is important to decide on a judicious mix of quantitative and qualitative standards against which performance of salesmen can be realistically compared. Standards must be reflective of the company's analysis of its own market situation vis-a-vis its competitors. As sales-effectiveness is a function of both quantifiable and non-quantifiable criteria, let us discuss both the quantitative and the qualitative standards that are used by companies. Some of these criteria have already been mentioned earlier as criteria for monitoring sales performance. Though all companies use some quantitative standards, the past tendency of using sales volume as the only yardstick of performance is no longer prevalent. Sales managers today realise that it is possible to make unprofitable sales, or to generate high present sales at the expense of future sales. Each company today selects a combination of quantitative standards that are best suited to its marketing situation. Some of the important quantitative criteria are:

Sales quotas: Sales quotas are quantitative sales targets assigned to a specific salesman expressed absolutely either in terms of rupee value or units. They are the most widely used performance standards. If we assume that the management is being realistic while setting quotas, this standard can specify desired levels of accomplishment for sales volume, gross margin, net profit and expenses. If quotas are based upon valid sales forecasts where the probable strength of demand has been realistically considered, they represent good performance standards. However, when they are chosen mainly to inspire or are based on guesses, they lose meaning as performance standards.

Net profit ratio or gross margin rates per territory: In this case target ratios of net profit or gross margin to sales, are decided upon for the sales territories. Each sales territory is considered as an organisational unit that should make a contribution to the corporate profit. The positive impact upon the sales force is that the sales personnel try to meet the ratio by attaining a higher sales volume and by reducing expenses. On the other hand, this approach may lead the salesman to concentrate on more profitable products and accounts. The shortcoming of both net profit and gross margin ratio is that sales personnel pinpoint the more lucrative accounts in their territory and may not spend enough time in soliciting new accounts and may overemphasise high margin or high profit products at the expense of new products which might prove profitable in the long run.

Sales expense ratio: This performance standard is used to control the selling expenses relative to sales volume. As many of the factors affecting sales expenses are uncontrollable for salesmen, target selling expense ratios should be carefully set, considering the factors which are likely to affect the expenses. The salesman can manage this ratio by either controlling expenses or by making sales or both.

The major weakness of this performance standard is that it does not provide for variation in the profitability of different products. A salesman may meet the sales expense ratio and yet show disproportionately low profits. In times of declining business conditions, this ratio has been found to inhibit salesmen from exerting efforts to generate higher sales volume.

Companies show different practices as far as defining selling expenses is concerned. Some companies feel that both indirect and direct selling expenses should be included while developing this standard. This, however, means that the salesmen are held accountable for some expenses (the indirect expenses) over which they have no control. Some companies use the concept of direct expenses i.e. expenses incurred and controllable by salesmen to define norms-for selling expenses.

This performance standard tends to be used more by industrial companies than by consumer products companies.

Sales coverage effectiveness index: This measure evaluates the thoroughness with which a salesperson covers and cultivates his territory. The index is calculated by getting the ratio of the number of customers to the total prospects in the assigned territory.

Call frequency ratio: This performance standard is calculated by dividing the number of sales calls on a particular class of prospects by the total number of prospects in that class. By defining different call frequency ratios for different classes of customers, an effort is made to direct sales effort to accounts which would lead to profitable sales. While defining call frequency ratio it must be ensured that the interval between calls is proper. It should neither be so short that only small orders are possible, nor so long that competitors take away the sale.

Calls per day: In case of consumer products, salesmen may be required to contact a large number of customers or prospects. Calls per day in such cases become a criterion of judging whether a salesman is making too few or too many calls a day. Establishing a norm regarding calls per day also helps the salesmen in scheduling their activities on a day-to-day basis. Territorial variations are taken into account and different call norms are individually set for different territories.

Average cost per call: Target cost per call standards are set to underline the importance of making profitable calls and reducing expenses associated with calls. Different norms may be set for different classes of customers if the cost in relation to different customers is significantly different.

Multiple quantitative measures: In practice the companies rarely use a single parameter to judge the effectiveness of its sales force. A combination of factors, weighted according to their relative importance in the organisational set-up, is generally used to arrive at a composite measure. A simple example listed below (and successfully in use in two companies) shows a multivariate approach to evaluation. The author of this simple model suggests a list of twenty factors, out of which a suitable number of variables which are relevant in a given case may be chosen to evaluate salesmen.

These variables are:

1. Market share-proportion of actual sales in quantity to the total sales of the product in the market or the size of the market.

2. Sales quantity.

3. Sales value.

4. Number of calls.

5. Number of orders.

6. Value of orders booked.

7. Value of order per call-this is also called the batting average. (In industrial marketing, the expression hit ratio is used to indicate the percentage of business obtained against a tender.)

8. Gross margin or contribution and also PN ratio (contribution on sales).

9. Direct selling expenses.

10. Direct sales margin (contribution minus direct selling expenses).

11. Average inventory (average being calculated on the basis of opening and closing inventory figures).

12. Average outstanding receivables.

13. Average credit enjoyed from suppliers.

14. Working capital locked up (item nos. 11 + 12 -13).

15. Marketing R.O.I.-Direct sales margin (item no. 10) as a percentage of working capital (item no. 14).

16. New product performance (comparison between actuals and earlier projections).

17. Number of accounts obtained.

18. Number of accounts lost.

19. Number of customer complaints.

20. Information about competitors' plans and strategies.

The list is by no means exhaustive. It is neither practicable nor desirable to use all of them together. Depending upon the needs of the organisation, a few of these criteria might be chosen. Norms can then be established for each of these criteria, and their respective weightage in the total evaluation score can also be assigned. There are certain criteria (for example those listed in no. 19 and no. 20) for which norms cannot be easily established. Past experience of the organisation could become a guideline in these cases.

After norms have been fixed, the periodicity of evaluation can be decided upon. The following table shows a hypothetical situation using six of the above variables, and gives a comparative evaluation of six salesmen.

Sl. No.	Evaluation Criteria	Weightage	Norms	Basis of Score: Maximum 12 for each. (6 points for achieving the norm; + or - for deviation as

				given below)
1	Market Share	30	25%	+ (-) 1 for increase (decrease) by every 5% or part.
2	Value of Orders	15	Rs. 10 lakhs	- do - by every Rs. 1 lakh or part.
3	Batting Average	10	Rs.. 25,000	- do - by every Rs. 5,000 or part.
4	Sales Value	10	Rs. 10 lakhs	- do - by every Rs. 1 lakh or part.
5	PN Ratio	15	40%	- do - by every 5% or part.
6	Marketing R.O.I.	20	20%	-do- -do-
	Total	<u>100</u>		

Table 16.1: Monthly Evaluation Criteria, Weightage and Norms Product

Qualitative Performance Criteria

As noted earlier, certain aspects of the sales job are not easy to quantify and measure. Use of some qualitative criteria therefore is unavoidable in evaluation of sales personnel factors like effectiveness in dealing with customers' problems. Contribution to the team spirit of the sales team, building up goodwill in the territory, establishing cordial dealer relationships, affect sales results in the long run, but their degree of excellence can only be judged subjectively. Most sales executives do not precisely define the desired qualitative criteria and prefer to arrive at informal conclusions regarding these criteria. Some prefer to have a detailed check-list, with subjective

factors scaled on a five-point or seven-point scale on which salesmen can be formally rated.

Individual discretion of the sales executive has a major role to play in qualitative evaluation. Written job descriptions become an input in deciding what combination of qualitative criteria should be used to evaluate sales personnel at different levels and in different kinds of sales jobs. The manner in which these criteria are applied would depend upon the needs of management in a specific organisation.

16.9 Comparing performance with Norms

The most crucial and also the most difficult step in the evaluation process is the comparison of actual performance with the defined norms. The difficulty arises because evaluation requires an exercise of discretion. The same standards, indiscriminately, cannot be applied to all salesmen as the sales territories assigned to them differ in terms of sales potential, level of competition, personalities of sales personnel and their customers. Though variations in territories may be adjusted by setting territory wise norms, personality variations cannot and therein judgement of the executive has to be exercised.

Similarly, there may be varying results in respect of the same salesperson, on quantitative and qualitative criteria. A salesman who does not quite meet his quota may be making compensating qualitative contributions by developing excellent dealer relationships, which have long-term implications. Again executive judgement is called for to arrive at an overall assessment of performance.

The performance of the sales personnel results from many variables, some of them beyond the control of either the salesperson or the sales management. It is, therefore, important that while comprising actual performance with the defined norms, the effect of the other variables that affect performance should also be kept in mind.

16.10 Case Study – Monitoring and Performance Appraisal of Medical Representatives

Background: The pharmaceutical industry is characterised by a number of `Me-too' products manufactured by a number of different companies. The success of any particular company depends upon the doctor prescribing the product of that company.

This, in turn, is largely dependent upon the selling effort put in by the sales force of the company. The medical representative forms the nucleus of the sales force. The function of a medical representative is critical to the success of the company. At the same time, the company has to spend a huge amount of its marketing budget on its medical representatives. The monitoring and performance appraisal of the medical representatives becomes all the more essential. In this context, we visited Glindia Ltd., one of the leading pharmaceutical companies today, and studied the system used by them for monitoring and performance appraisal of its medical representatives.

The Company: There exist two divisions (i) Food Product Division (FPD) and (ii) Pharmaceutical Division (PD). The total number of products handled by the sales force is 110. The organisational structure of the sales force is as follows:

While the FPD functions like any ordinary consumer product marketing sales force dimension the pharmaceutical division has a different approach

Setting of Budgets: The budgets are set quarterly. Regression analysis of the past 4 years' sales is used, with a weightage of 30% assigned to the previous two years and 20% assigned to the earlier two years. The sales figures obtained are broken down into sales quotas for the medical representatives with a range of $\pm$ 10%n used judgmentally.

Monitoring of Performance: The daily coverage of a medical representative consists of making 10 doctor calls and 5 chemist calls a day. In these visits he not only has to make them aware of the company's product and its benefits but he also has to check stocks with chemists and observe competitors' activity. These findings are then sent in a daily report to the Area Sales Manager. A 45-day cycle has been assigned to each representative. A summary report area wise is presented to the branch manager after the completion of each cycle. The branch manager presents a summarised report to the product manager to develop the marketing strategy further accordingly.
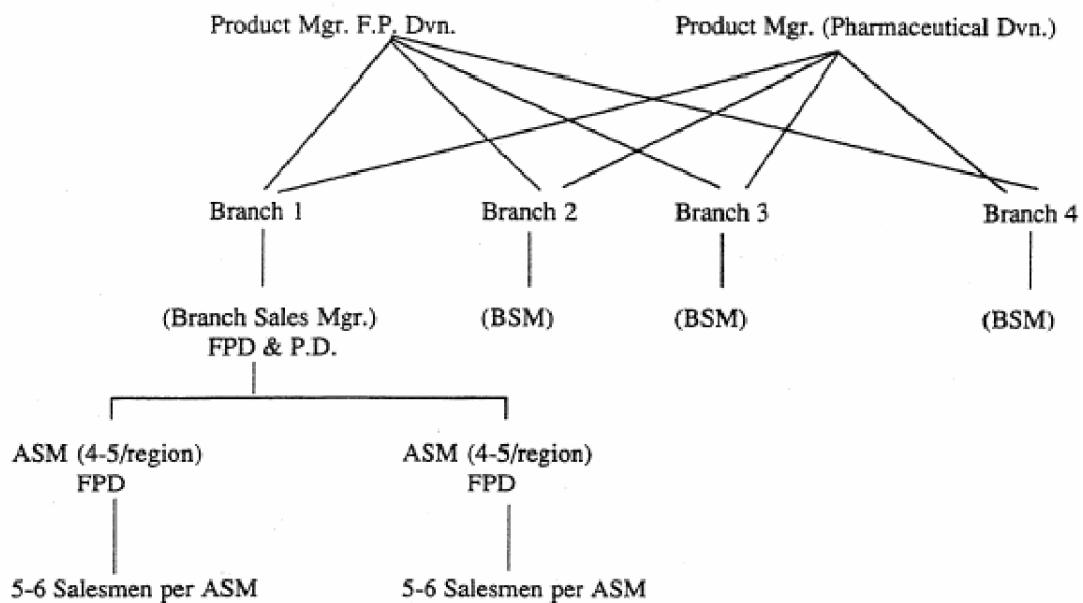
BSM: Branch Sales Manager, ASM : Area Sales Manager, FPD : Food Products Division and PD : Pharmaceuticals Division.

Figure 16.4: Cycle of Performance Appraisal

The field control measures exercised by the Area Sales Managers consist of insisting on completed daily reports on time. The method of working with stocks, merchandising ability of the medical representatives is also reviewed continuously.

Performance Appraisal

The evaluation of Medical Representatives is done by the Area Sales Manager concerned. A more or less objective evaluation is adopted with subjectivity involved in certain parameters. The evaluation is done on an annual basis.
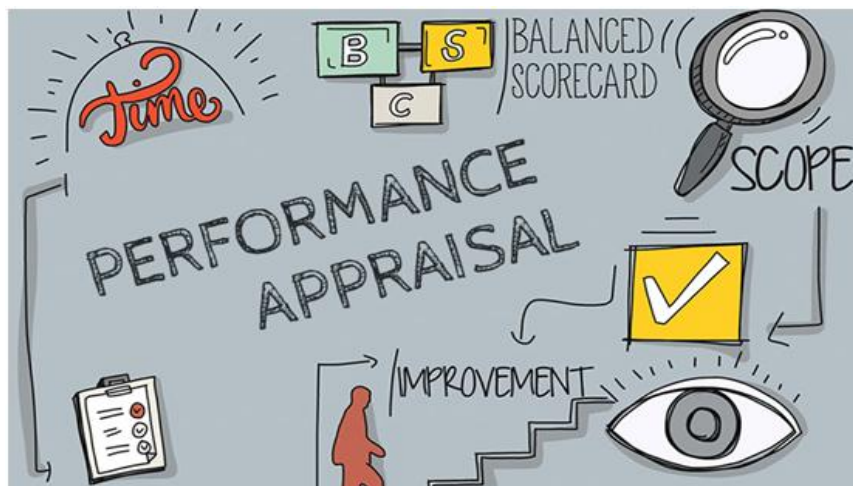
A total of 150 marks are assigned to each salesman. The weightage given to different parameters is as under:

Primary sales	50	(sales to stockists)
Redistribution	30	
Collection	20	
Merchandising	15	
Stock Rotation	10	
Reporting	10	
Market Servicing	5	
Market Information	5	
Film Checks	5	
	150	

Subjective Judgement is exercised towards parameters like attitude towards job; integrity, representative development on the job; analytical ability, initiative and adherence to company guidelines.

Incentives offered: An achievement of 105% over budgeted targets entitled the medical representative to certain incentives in the form of awards given by the company. Each year the company felicitates 25-50% people for achievement of targets. Certificates, medals and gifts are awarded at a grand award function held in a hill resort in the presence of foreign dignitaries. This gives the necessary encouragement to future medical representatives. In addition, the company also holds training programmes for on-the-job training. Each representative has to undergo a 2-week compulsory training at the company's training centre. In spite of these efforts the turnover rate of the medical representatives is high and the company has to live with this industry phenomenon.

16.11 Summary

In this unit we have discussed the importance of monitoring salesmen and appraising their performance. Different parameters are used by different companies depending upon their product-market portfolio. Sales reports generated by salesmen give information on many

decision-making areas for the top management. Every company in accordance with its requirements sets standards of performance for specific criteria and develops a reporting system for comparing actual performance with the norms. Both qualitative and quantitative criteria are used to arrive at proper evaluation of sales performance.

16.12 Self- Assessment Questions

1). Describe the importance of monitoring and performance appraisal of the sales force.

2). Consider an industrial product company. What should be the reporting system of its sales force? State reasons for the same.

3). Mention some of the parameters used to monitor sales force.

4). What are the different reports generated to monitor the sales force? How are they used?

16.13 Suggested Readings/ References

1. Albert H. Dunn and Eugene M. Johnson, 1980. Managing Your Sales Team, Englewood Cliffs, N.J. Prentice Hall.
2. Robert F. Hartley, Sales Management, 1979, Boston: Houghton Mifflin.
3. Joseph P. Guiltinan and Gordon W. Paul, Marketing Management Strategies & Programmes, 1982, New York: McGraw Hill, 1982.

17 Sales forecasting

Unit structure
Introduction
Types of Sales Forecasting
Nature of Sales Forecasting
Factors affecting Sales Forecasting
Techniques of Sales Forecasting
Summary

1. **Objectives**

   After completing this module, the students will be able to:

   - Describe the concept of sales forecasting.
   - Explain various types of sales forecast.
   - Discuss the nature of sales forecasting.
   - Explain various techniques of sales forecasting.

2. **Introduction**

   Sales forecasting is the systematic and scientific manner of estimating the sales in terms of volume and value of a product for a particular period, in a specific market. Sales forecasting supply a starting point for all business activities of a company. It is a tool of control in the hands of marketing management and is the rational act of estimating the sales potential for a company including the

assessment of efforts of competitors and an appraisal of the trends of industry and economic environment that have impact on demand.

As defined by American Marketing Association,

"Sales Forecasting is an estimate of sales in dollars or physical units for a specific future period under a proposed marketing plan or a programme under an assumed set of economic and other forces outside the unit for which forecast is made".

Thus, sales forecasting is that branch of managerial forecasting, which projects the sales for a future period in a specific market under certain conditions and guiding the resources allocation and marketing efforts in attainment of the organisational objectives. The concept of sales forecasting can explained with help of mathematical model. Sales forecasting is the function of two variables namely market potential and market share. This relationship can be expressed mathematically as under:-

Sales forecasting = Market Forecast $\times$ Market Share

3. **Types of Sales Forecasting**

The accurate sales forecasting is pre-requisites for the success and survival of any business. Sales forecasting bridges the gap between present and future sales. There are two types of sales forecasting such as; forecasting based on the level and forecasting based on time duration. These two types of sale forecasting are illustrated as under:-
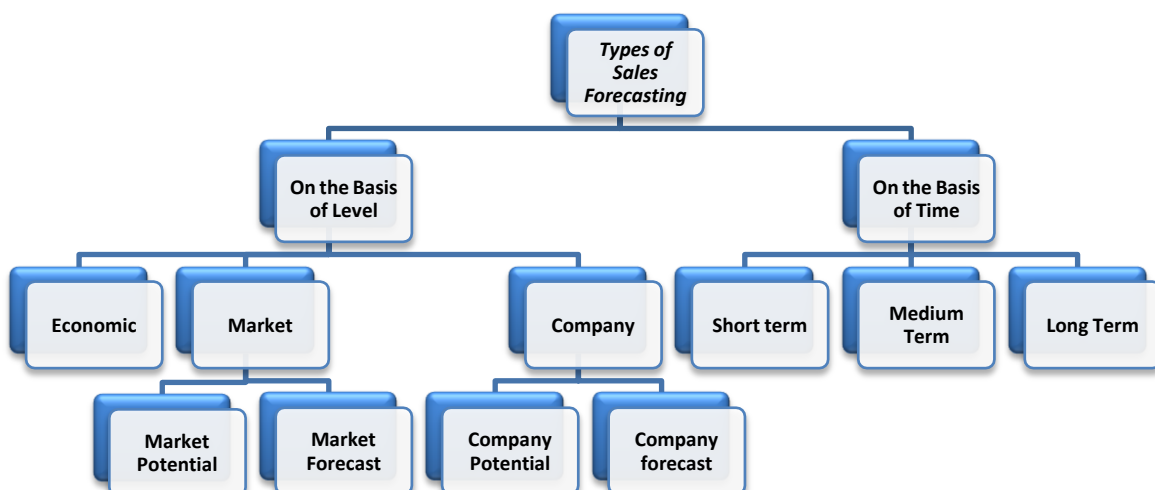
3.1 Forecasting on the Basis of Levels: While forecasting the future sales, a company has to consider both the economic level and the industry level. Thus, the sales forecasting might be undertaken at following three levels:

3.1.1 Economic forecasting: It is also known as macro forecasting. It refers to the aggregate demand for industrial output by the nation as a whole. In this, the sales forecasting is made at the national level by the analysis of the economic trends. The company appraises the data and information given by the government agencies with regard to national income, gross domestic product, gross national product, inflation, consumption pattern, employment position and so on. In addition to this information, a company also has to analyse the fiscal and monetary policy of government, behaviour of stock market, pattern of the trade cycle and even the political philosophy to determine the economic activities of the nation. If all these factors are favourable then the overall demand for the goods and services may tend to rise or vice –versa. The accurate economic forecast requires systematic and scientific collection of relevant data and analysis and interpretation there on.

3.1.2 Market forecasting: The next step in the sales forecasting is to evaluate the marketing opportunities in terms of estimations of total market demand. Market demand for a product is the total volume that could be bought by a target group of customers in a particular area, in a specific time under specified marketing conditions.

- *Market demand:* Market demand shows the consumer demand under the expected level of marketing efforts which can be put forward by all sellers within industry.
- *Market potential***:** market potential is the maximum limit which could be approached by market demand.

3.1.3 Sales forecasting of company: Company demand is the company's estimated share of market demand under the given environmental conditions for a specific company.

- *Company sale forecast:* **-** It is the estimated sales under a defined marketing programme.
- *Company sales potential:* **-**This is the maximum sale limits approached by the company demand as the company's market efforts increases relative to that of competitors.

3.2 Forecasting Based on Time: For the purpose of marketing decision making sales forecasting can be classified into three categories; short-term, medium-term and long-term forecasting. These three forms of forecasting are as follow:-

3.2.1 Short-Term Forecasting: Short-Term forecasting generally refers to a period not exceeding a year. Short-term sales forecasting refers to the determination of the volume of current demand for a firm's product for a short period of time say over a month or a year. Short-term forecast relate to the

day-to-day forecast which are connected with deliberate decision under the given resource constraint; as in the short run, the available resources, scale of operations, etc., are fixed or unalterable. In short-term forecasting, a firm is primarily concerned with the optimum utilizations of its existing productions capacity. The significance of short-term forecasting reflected in the following areas of business:-

- *Sales policy:* **-** A short-term sales forecasting is helpful in developing a suitable sales policy in view of the seasonal variation of demands, so as to avoid the problems of short supply or oversupply of the firm's product in the market.
- *Price policy***:** Short-term sales forecasting will help the firm in the determination of a suitable price policy to clear the stock during of seasons, and to take advantage in the peak seasons.
- *Purchase Policy:* In view of the short-term forecasting a firm can evolve a realistic purchase policy for buying raw materials and controlling its inventory stocks with a great economy.
- *Sales target:* **-** Sales forecasting helps the business firm in setting sales targets and for establishing control over the business operation. It is of no use in fixing high sales targets, when sales forecasting reveals a decline in a quarter.
- *Short-term financial planning:* **-** A firm's short-term financial planning can be suitably determined on the basis of short-term demand forecasting. A firm's prerequisite for cash depends on its productions and sales. Without accurate sales forecasting a rational financial planning is quite difficult.

*3.2.2. Medium-Term Forecasting***:** Medium-term forecasting bridges the gap between short-range forecasting and long range forecasting. It covers a period from 1-3 years. The planning process of company is based on the medium term forecasting. The medium range forecasting helps in predicting the general pattern of trade cycles and the effects of technological and social changes on the business processes and operations. The main purpose of medium term forecasting is determination of control by budgets over expenses, ascertain the cash flow, assessing the manpower requirements, determining the divided policy, deciding the rate of maintenance expenditures, and determining the schedule of operation.

3.2.3 Long-Term forecasting: Long term forecasting refers to the forecasts made for long period during which the firm's scale of operation or the production capacity may be expanded or reduced. Long-term forecasts are normally for the period exceeding 3- 5 years or even a decade or more. But this long period may differ from industry to industry and business to business. The long term forecasting may serve the following purpose in the organization:-

- *Business planning.* Long term forecasting is of great significance in the long term business planning. Long term sales potential will provide the required guidelines for planning of a new business unit/product for the expansion of the existing one.
- *Human Resource planning.* It is essential to determinate long term sales forecast for an appropriate human resource planning in the organization. In the absence of proper sales forecasting, there may arise the situation of over staffing or under staffing, which could be serious for the business.
- *Long-term financial planning.* Finance is the key to the success, survival and growth of modern business. In view of the long term sales forecasting and the production planning, it becomes easier for the firm to determine its long term financial planning and programmes for raising the fund from the capital market.

- *Extrapolation method:* This method is based on the assumption of the past pattern of industrial behaviour and marketing environmental stability. It uses the projection and trend for arriving at the figure of sales forecasting.

Example: various baby food items are now available in the market. These are also made on the basis of the sales forecast. From an infant of few days to an adult, all food items are available in the market. When the baby's powder milk is concerned, the Nestle India is manufacturing the product under Brand name Lactogen, Cerelac is also there. All these are baby products which are manufactured by the company as per the needs and requirements of the customers.

4. **Nature of Sales Forecasting**

It is very necessary for the sales decision maker to be aware about the relevant sales data. The sales decision maker must be aware about the basis on which the future sales are to be forecasted and how accurately the future can be predicted on the basis of the past information. The future prediction of the study depends upon the base of prediction and it should be stable. Moreover, there should be regularity in that base. The main purpose of forecasting is to forecast and how frequently there is need of forecasting, how far it is needed to forecast the products, how accurately the forecast can be made and how accurately the forecast be made. All these decisions are taken while forecasting the sales. The main functions of forecasting of sales are as follows:

- The forecast could be made for ascertainment of the changes to be made in the course of sales. If it is desirable to make a change in sales, then new course of action is needed.
- Then forecasting is done to make sure that the each forecast is made to attain the specific business objectives. The cost benefit analysis is the most effective method which should be chosen at this point. Here, the choice is to be made from numerous alternatives. So, the most beneficial method should be chosen.

The course of action might bring the change in the product line which could have occurred due to change in demand, or it could be a large initiative i.e., to launch a new marketing technique for more advertisement of the products, or even a combination of both could be there.

5. Factors Affecting Sales Forecasting

The sales forecasting serves as the foundation for the planning and budgeting activities of the firm. The decisions in the marketing areas both inside and outside of the firm are influenced by the sales forecasting. Sales forecasting is a process of estimating the future sales which are influenced by many controllable and uncontrollable variables. The factors that need to be given the attention by the sales analysts are as under: -

5.1 *Economic environment:* The general economic conditions prevailing in the country have considerable impact on sales forecast of the company. These conditions are mainly price level change, change in national income, profit rates, interest rates, rent rates, per capita income, disposable income, discretionary income, consumption patterns, saving and investment habits, employment position, compensation paid to working class, programmes of national building and so on. These factors help in deciding the market potential of the company which ultimately helps in deciding about the sales forecast.

5.2 *Business circumstances:* Business circumstances generally refer to the economic conditions relating to the same industry or trade and business. These relate to the factors such as fiscal policy, developmental strategies adopted in state and national plans, possibilities of marketing of manufactured products, foreign trade policy, public opinion, credit policies, and lending policies of commercial and industrial banks and other financial institutions, trade practices and controls or regulations, extent of state participation in business, policies of transport and warehousing agencies. These factors help in arriving at company's share in market and hence finally deciding the sales forecast.

5.3 *Sociological conditions:* These conditions relate to the population size, density, change in age groups, birth and death rates, size of family, family dependents, level of education, family income, social awareness. The study of social conditions provides an additional dimension to the accuracy in assessing the sales potential and sales forecast.

5.4 *Psychological conditions:* The Psychological conditions have more philosophical impact on the market conditions than the social conditions. Every human being is not only a social being but also a rational being. In psychological conditions basically the changes in the mood of the markets which is reflected in changing habits, attitudes, perception, learning, personalities, life styles, cultural and religious bents, tastes, preferences, fashions and the likes. The changes in consumer tastes, habits, likes and dislikes have far reaching impact on demand and hence sales potential and the sales forecast.

5.5 *Competitive environment:* As business is does not occur in isolation, it has to face competition by the rival units in the same business line or same business activity. These competitive conditions make every firm to improve winning his rivals for survival and success. The competitive conditions within the

industry keep on changing constantly. Competitors may enter or exit the industry. The size of the operations, technical superiorities, quality of managerial sophistication in the areas of production and distribution-all decide the success. It is basically the study of market share of competitors and how to expand the company's share over those of competitors by refining the plans, strategies and techniques in manufacturing and marketing.

5.6 *Internal dynamics of organisation:* Internal situation refers to the policies and strategies adopted by the firm to preserve its interests. Internal conditions speak of happenings in the company's life career. These relate to the policies in production, distribution, finance, promotion, quality, personnel and price areas. These internal conditions are controllable and help us to bring about changes in the marketing mix. However, changes in market mix and strategies have deep impact on volume and value of sales of the company and, hence ultimately affect the sales forecast.

On the basis of above analysis it can be concluded that the factors affecting sales forecasting can be classified in two groups such as controllable factors and uncontrollable factors. The controllable factors are those factors that can be controlled with the help of efficient management. These factors include quality of products, price of product, sales promotions measure and marketing research etc. Whereas the second class of factors include those variable which are non-controllable like; government policy, competition, business cycle, innovations, social changes, general economic and political situations etc.

6. **Techniques of Sales Forecasting**

    The method of sales forecasting are generally divided into two categories, viz., qualitative techniques and quantitative techniques. These both techniques are discussed as under:

6.1 Qualitative Techniques:

    These are also known as subjective methods. Some of the important methods are discussed below:-

- *Opinion of executives***:** This is the oldest method of sales forecasting which is a based on a broad guess made by executive member of the business. One or more top executives forecast future sales on the basis on personal knowledge and on market information through customer contacts or by reading publishing data. This method has the weakness of biased and it also lacks scientific validity.

- *Sales force opinion method:* Many companies use this sales force opinion method for estimating the sales on the basis of the estimates given by salesmen, which are then consolidated by sales manager for a territory or region and for the company. Since they have direct contact with customer and first -hand field information, they can estimate future buying intentions of customers. Some salesmen may be even over-optimistic or too pessimistic about future sales prospects.

- *Buyer's survey intentions:* Customers are requested to communicate their buying intentions in a coming period. It is suitable only for those businesses which are selling products to a few key customers. If costumers' expectations are accurate, sales forecasts could also be accurate.

- *Statistical sampling:* Sampling can be used to get total sales estimates. Data can be extended or generalized to get total sales forecast based on sample survey done in representative sub-groups of territories.
- *The Delphi method:* Delphi method is a method of avoiding the problem and biases involved in the forecasts of demand. In this method, the participants make forecast without disclosing their names and they state their assumptions in it. Then, the analysts return the forecasts to each of the participants and they are made t look and analyse the assumptions of other participants. This process continues until no further convergence is possible.

6.2 Quantitative techniques:

These techniques are also known as objective methods. Some of the important methods are discussed below:-

- *Correlation analysis: A* correlation study is done when there is a close relationship between sales volumes and a well-known indicator of demand. A high correlation values indicated the future sales volume.
- *Regression analysis:* Regression analysis is the most commonly used method for demand forecasting. The constraints of the demand function are estimated with regression analysis. In demand regression equations, relevant variable have to be included with practical considerations and relevant data have to be obtained. The regression analysis is performed as, firstly the predictor variables are selected which are considered to be the major determinants of sales. Then, time series is collected for each predictor variable. The relation of each predictor variable is checked with the demand to find out whether it is linear or curvilinear. Then regression analysis is run and goodness of fit is determined. All the steps are repeated until a satisfactory model is obtained. Satisfactory model is the one which by using the past data provides a most acceptable degree of accuracy.
- *Time series analysis:* This is a common mathematical projection of future sales which involves the projection of past sales trends into the future. In time series analysis there are four types of projections. Trend which determines the basic long term pattern of growth, stability and decline. Seasonal which shows the variations in the trend due to seasonal factor such as summers, winters, etc. Then is cycle which shows variations over a period of time generally more than one year. For calculating seasonal fluctuations in the demand any of these methods could be used, namely, moving average method, exponential smoothening or statistical trend analysis.
- *Moving average method:* In this method, the trend is determined by selecting a period for moving average like, 3 yearly moving averages, 4 yearly moving averages, 5 yearly moving average etc. The moving average shall be computed as under:-

$$\frac{X_1+X_2+X_3}{3},\quad \frac{X_2+X_3+X_4}{3},\quad \frac{X_3+X_4+X_5}{3},\quad\text{etc.}$$

- *Extrapolation method:* This method is based on the assumption of the past pattern of industrial behaviour and marketing environmental stability. It uses the projection and trend for arriving at the figure of sales forecasting.

  Due to the reason that no method of forecasting could be considered as the perfect method, the marketers generally use the combination of the above stated methods for forecasting the demands and the sales.

7. **Summary**

The creation of the sound sales forecast is the fundamental to any organisation. Sales forecasting data is needed to determine and forecasting the marketing plans and strategies. Managers have to forecast the sales for the future period of time which is done on the basis of the present and past sales pattern. Marketing managers have to forecast the future sales of the firm, whether they uses qualitative techniques, or quantitative techniques. Various different departmental budgets such as sales budget, production budget, administrative budget and marketing budgets all are based on the master sales forecast. Information collected from all the sources of the organisation are used for the forecasting of the sales. Data collected by an organisation can be used in the future by the time series analysis. The usage of these types of methods helps the managers to model the seasonal effects. Linear and multiple regression techniques are used for the econometric procedures. Thus, forecasting is the logical point for all the business activities. It acts as a link between the planning and controlling. Forecasting is the encroach of marketing research. Marketing research provides marketing management with numerous techniques such as qualitative depth interviews, Delphi techniques and many more. Thus, sales forecasting is a very significant function of firm's integrated marketing information system.

   8.   Test yourself
1. What is sales forecasting
2. Explain types of sales forecasting

1.   Learning Outcome

After completing this unit, the students will be able to:

- Describe the concept of sales forecasting.

- Explain the significance of sales forecast.

- Explain various types of sales forecast.

- Discuss the criteria of good sales forecast.

2. Introduction

A sales forecast is a prediction of future sales revenue. Sales forecasts are usually based on historical data, industry trends, and the status of the current sales pipeline. Businesses use the sales forecast to estimate weekly, monthly, quarterly, and annual sales totals. Just like a weather forecast, your team should view your sales forecast as a plan to work from, not a firm prediction. Sales forecasting is the marketing activity that plays a vital role in the survival, existence and success of business organisation. A business can be either manufacturing concern or trading one, but forecasting of demand of the future sales is very much necessary all the types of business activities. Thus there is a need of accurate sales forecasting for the future in production as well as in marketing planning. A manufacturing concern must look forward to the future sales for its products and on the basis of the estimate made; the business organisation must develop its production planning. Similarly, a trader should forecast future demand for his product and on that basis; the required arrangements regarding the products should be made. Hence, sales forecasting and demand measurement constitute the building blocks of business planning and corporate operating strategy. The sales forecasting is very useful for financial planning, production planning, human resource planning, capital budgeting planning, dividend planning, pricing strategy planning, sales quota planning and many more. When the actual sales turnover reaches near the sales forecast, then it means that the marketing, financial and production decisions of the organisation are properly planned.

3. Concepts in Demand Forecasting

The major concepts in demand measurement are market demand and company demand and other concepts used are as follows:

- *Market Demand:* Market demand for the product is the total volume of sales which the company could get from the sale of its products to the target group of customers in a targeted area in specified period of time.
- *Market Forecast:* The marketing demand corresponding to the industry level of expenditure and efforts is market forecast.
- *Market Potential: Market* potential is the highest limit which could be achieved by the company.
- *Company Demand:* Company demand is the estimated share of the market demand at the alternative levels of company's market efforts at a given period of time.
- *Company Sales Forecast:* This is the expected level of company sales based on the chosen market plan and in an assumed marketing environment.
- *Company Sales Potential:* This is the limit of which the company demand could approach by various marketing efforts.

4. Significance of Sales Forecasting

The sales forecasting is very essential for the success of any business organisation. Sales forecasting is the key element in conducting the business. Good sales forecast would help to conduct the business in a more strategic manner. Some of the essentials are as follows:

4.1 *Production planning:* Sales forecasting is the requirement for the production planning of a business firm. The expansion policies of the firm should be based on the sales forecasting. Or else there might be overproduction or under production and consequential losses may occur.

4.2 *Control of business:* For controlling the business on a sound footing, it is necessary to comprise a well regarded budgeting of costs and profit which are based on the forecast of annual sales and prices.

4.3 *Inventory control***:** The proper control of inventories such as raw material, intermediate goods, semi-finished product, finished product, spare parts, etc. needs an accurate estimate of the future requirements, which is generally traced with the help of forecasting.

4.4 *Growth and long term investment programmes:* Sales forecasting is necessary in the determination of the growth rate of the firm and its long term investment programs in terms of capital budgeting expenditures.

4.5 *Stability:* Stability in production and employment over a period of time can be made successful by the management through proper forecasting of the market demand and other business variable. It also helps in the smooth functioning of the businesses operations through counter cyclical and seasonally adjusted business programmes.

4.6 *Economic planning and policy making:* Sales forecasting at economic level is of the great help to the policy maker for the better planning and rational allocation. The import and export policies can also be determined by government in view of the long-term sales forecasting for various goods and services in the country.

5. **Market Measurement and Forecasting**

Market measurement and forecasting generally means to forecast the sales. Sales forecast is based on assessment of market demand .Market demand is not only influenced by the market price of the product, rather various factors are present which affect the market demand of the product, such as marketing mix (4P) and marketing environment like level of competition, consumer behaviour, general economic environment, fashion trends government regulations etc. To measure and forecast the demand for any product the market could be classified in the following productive ways: -
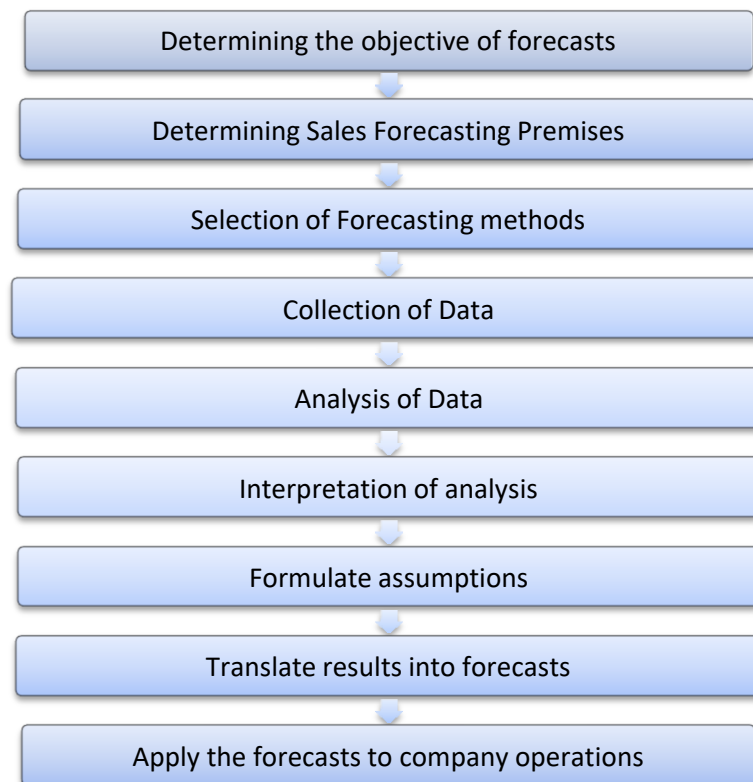
- *Available market:* The available market means a set of consumers who have a purchasing power and access to a particular product.

- *Potential market:* Potential market is that set of consumers who express sufficient level of interest in a marketing offer in an industry at a given price, given level of expenditures and given commercial condition.

- *Target market***:** Target market is a part of total market that company decided to pursue.

- *Present Market:* It is also called as penetrated market constituting the set of consumers who are using the company's product.

Example: A person wanted to start a restaurant. He decided to open a small restaurant with four tables having seating capacity of six people at a rented place. So in all there would be space for twenty-four people.so after predicting about the sales, he decided about the menu of the restaurant. And decided to provide food at lunch and dinner times.

6. **Process of Sales Forecasting**

Sales forecasting process involves logical sequence as the planning process in the organisation. Following are the steps of sales forecasting process: -

Determining the objective of forecasts

Determining Sales Forecasting Premises

Selection of Forecasting methods

Collection of Data

Analysis of Data

Interpretation of analysis

Formulate assumptions

Translate results into forecasts

Apply the forecasts to company operations

6.1 *Determine the objective of forecasts:* The first step of sales forecasting process is the determination of the sales forecast of the company. The general purpose of forecasting is related to the short-term decision-making and to formulating the marketing strategies in the different areas of marketing mix.

6.2 *Determine sales forecasting premises:* This step involves the determination of key factors which adversely affects the future sales of the company. In determination of sales forecasting premises, the factors affecting the sales of each product, a programme of demand analysis, including the studies of economic factors, motivational considerations and competition, are usually necessary to isolate and measure the impact of various factors influencing the sales.

6.3   *Selection of forecasting methods:* There are numerous forecasting methods or the techniques, perfect choice of a method is a must, because, it is not possible to use all of them as they would be

uneconomical for the company. The choice of method is generally determined by the purposes of the forecast and the kinds of information which could be obtained in the process.

6.4   *Collection of data:* The correct choice of a reliable forecasting method in the early step paves the way for gathering all the information which is available and relevant.

6.5 *Analysis the data:* The process of analysis of data is not an easy process. Like, for the projection of past sales some statistical techniques are used which involves some judgment; when opinion methods are used, great deal of subjectivity enters into the process of analysis. That is why, much care is to be exercised while analysing the data.

6.6 *Interpretation of analysis:* As the future is uncertain, the conclusions drawn from the sales forecast may invariably involve some margin of errors. To reduce this margin of errors, it is advised for the analyst to check and recheck the work. Ideally, two or more analysis should be carefully studied and the best possible forecast is to be adopted.

6.7 *Formulate Assumptions:* Assumptions prove the theories. The ability to forecast accurately depends either on the ability of the forecast to make good assumptions concerning factors which are not possible to be measured. For example, the character and intensity of competitor's future programmes may be the solitary most important element influencing company's actions and reactions in order to forecast future sales performance with fair degree of accuracy from the firm's angle.

6.8 *Translate results into forecasts:* The deductions and assumptions made in the former steps need to be translated into specific sales projections so that they become useful for the company.

6.9 *Apply the forecast to company operations:* This step really takes the forecaster into decision making. Along with other types of information such as various marketing research findings, the forecast must be transformed into a marketing strategy. The efforts put in the elongated procedure are adequate reward in translation into an effective action plan.

7. Criteria of Good Sales Forecast

Joel Dean (1976) laid down the following criteria of a good forecasting method, which discussed as under:-

- *Accuracy.* Forecast should be accurate as far as possible. Its accuracy must be judged by examining the past forecasts in the light of the present situation.
- *Plausibility.* It entails understanding of the management about the method used for forecasting. It is essential for a correct interpretation of the results.
- *Simplicity.* A simpler method is always more inclusive than a complicated one.
- *Economy.* It should involve lesser costs as far as possible. Costs must be compared against the benefits of forecasts.
- *Quickness.* It should yield quick results. A time consuming method may delay the decision making process which does not remain useful for the company.

- *Flexibility.* There should be possibility of changes to be incorporated in the relationships entailed in forecast procedure from time to time and it should be maintained up to date. There must be kept provisions for making changes according to need.

8. **Major Decision taken on the basis of Sales Forecasting**

The major decisions taken on the basis of sales forecasting are as follows:
- Number of salesman required
- Allocation of sales quota to salesman.
- Determination of sales force compensation plan.
- Determination of sales territories based on the market potential.
- Advertising and sales promotion programs.
- Physical distribution and channel selection.
- Pricing decision and strategy
- Production plans
- Inventory control and purchasing
- Estimating standard costs
- Budgeting and controlling expense
- Planning requirements

9. **Forecasting of Total Demand**

For any company it is very much necessary to forecast the total demand for its products. This is mainly done to avoid any type of sudden fluctuations in the demand, to monitor the share of the company in the total market demand of that product. There are following steps which have to be followed by the company in forecasting of the total demand of its products:

9.1 *Defining the Market:* Before forecasting of demand the first step is the ascertainment and definition of the market in which the products of the company are sold in terms of present and future customer potential. The product demand is governed by numerous factors such as economic development, population, tastes and preferences of the consumers. In defining the market, all the potential consumers have to be considered.

9.2 *Dividing demand into main component parts:* There are generally heterogeneous consumers of the products. Thus, the market could be segmented on the basis of geographical conditions, literacy level, composition of age, income, buying behaviour to know when the purchase is made.

9.3 Forecasting the demand drivers: The drivers which help in the forecasting of the demand on the basis of different factors which influence the future potential also are known as demand drivers. Demand drivers have to be identified for each segment of the market differently. The main method used in this analysis is regression. Regression analysis helps to establish the historical connection between various factors and demand. But only limitation of this method is that it used past data and past data cannot be taken as guaranteed for future prediction. The main issues covered are demand, potential, potential demand and relevant potential.

9.4 Sensitivity analysis: After the making of the demand forecast then the analysis of the risks has to be made, which help in forecasting of the error. The identification of maximum and minimum level of errors helps in the critical analysis of the demand. Then, careful analysis of various drivers is done to forecast the respective effect upon them.

10. Limitations of Sales Forecasting

Sales forecasting is concerned with the prediction of the human behaviour regarding the demand for product or services under certain set of conditions. Generally, forecasts are found to be imperfect as human judgement plays a major role in forecasting. Hence, every forecast has some element of inaccuracy. There are certain causes for such state of inaccuracy, which are termed as limitations. These limitations are discussed as under:-

- *Difficulty in understanding market trends:* There are a lot of factors which affects the market. Any factor can be overriding factor at any time. This requires the constant observation of the market and market analyst must be constantly on the alert to identify changes in consumer behaviour.

- *Ambiguous concept of demand:* The concept of demand is not clearly understood and used by various analysts. Many words are used to express demand like international demand, national demand, industry demand, and company demand and so on. Sometimes many faulty assumptions are developed regarding the demand results in the inappropriate demand forecast.

- *Difficult to understand the competitor's plans:* Competition in the market is the dominant factor affecting the sale forecast. To ignore the competition is to misconstrue the major element in the market mechanism. Hence, constant efforts must be made to understand the plan of opponents.

- *Exact forecast is not possible:* Management of a company must understand the fact that it is quite difficult to make precise forecast. Certain amount of error is always involved. This could be either due to slippery nature of market or wrong judgement of analyst.

- *Wrong selection of forecast technique:* There are many techniques of sales forecasting like opinion of executives, opinion of sales forces, Delphi method, correlation, regression, times series and so on. The right selection of method depends upon the expertise of the analyst. The expert should verify the results with alternative technique also.

- *Expertise of executive:* The ability of executive associate with the task of sales forecasting also determines the degree of accuracy achieved in case of forecast. It is only qualification and experience that can guarantee the accuracy and the best results in the domain of sales forecasting.

11. Marketing Information System

Marketing Information System means collection of information for

- Control purposes which means to know what the sales departments are actually doing.
- Information purposes which means to collect necessary information regarding the competitive activities, launch of new products, changes in the tastes and preferences of the consumers.
- Communicating to all the departments' necessary information so that they can also prepare their own budgets.

Thus, the data collection, generation, analysis, recording and processing and maintaining of the information is organised under marketing information system.

12. Summary

Sales forecasting is aimed at predicting sales on the basis of analysis of past sales performance and future market conditions. It guides a firm to look at the future objectively. A firm which reviews the past is aware of present and that firm analyses the future opportunities for prediction of future demand. Data generation is the pre-requisite of any professional organisation on the basis of which the sales decisions are taken. The data is taken from all micro and macro sources. Moreover, internal strengths and weaknesses and future opportunities and strengths are taken into consideration while forecasting the sales. Reliable, valid, sustainable and substantial database is necessary for the prediction of the business trends, cycle and futuristic business possibilities. Various techniques could be used for this. The marketing information system comprises of the data collection, generation, analysis, recording and processing and maintaining of the information. Sales forecast forms the base of the planning decisions of the company. For marketing department, it is the key to the planning of promotion programs, management of sales force, re allocation of the sales territories, planning of plant and warehousing facilities and all the other activities of marketing. Marketing Information Systems or the databases are naturally a must for reliable sales forecast and business planning. The general purpose of forecasting is related to the short-term decision-making and to formulating the marketing strategies in the different areas of marketing mix. In determination of sales forecasting premises, the factors affecting the sales of each product, a programme of demand analysis, including the studies of economic factors, motivational considerations and competition, are usually necessary to isolate and measure the impact of various factors influencing the sales. As the future is uncertain, the conclusions drawn from the sales forecast may invariably involve some margin of

errors. To reduce this margin of errors, it is advised for the analyst to check and recheck the work. Ideally, two or more analysis should be carefully studied and the best possible forecast is to be adopted. Thus, sales forecasting is that branch of managerial forecasting, which projects the sales for a future period in a specific market under certain conditions and guiding the resources allocation and marketing efforts in attainment of the organizational objectives. The concept of sales forecasting can explained with help of mathematical model. Sales forecasting is the function of two variables namely market potential and market share.

Test Yourself

1. Explain the major decisions taken on the basis of Sales Forecasting

2. What are the Criteria of Good Sales Forecast

3. Explain the process of Sales Forecast

4. What is market measurement and forecasting?

5. Explain the significance of Sales Forecast?

6. What are the Major Concepts in Demand Forecasting?

7. Explain the limitations of Sales Forecast

Unit 19 Sales Promotion and Personal Selling

Unit 19 : Sales Promotion: Personal Selling
1. Learning Outcome
2. Introduction
3. Sales Promotion
4 Personal selling
5. Difference Between Personal Selling and Sales Promotion
6. Summary

1.   Learning Outcome:

After completing this module the students will be able to:
- Understand the concepts of sales promotion and personal selling
- Explain sales promotion tools
- Describe the personal selling process
- Distinguish between sales promotion and personal selling

2   Introduction

No firm or organization can be victorious unless it is able to promote its sales through various promotional techniques. Only advertising can not work in case of technical or complex products. Moreover, face to face interaction can be more convincing in case of various products. Personal selling is important technique to increase sales of the firm. Similarly, sales promotion is also effective in increasing sales. Both the techniques can be combined to achieve good results.

3   Sales Promotion

Sales promotion refers to short term special selling efforts to hasten sales. It is a promotional activity which provides monetary and non-monetary incentives to spark an immediate reaction from target consumers (consumer sales promotion) and dealers or firm's salesperson (Trade promotions). Consumer Sales promotion pulls a product or service by stimulating demand and trade promotions push a product or service by arousing enthusiasm among channel members to sell more of a particular brand. Sales promotion influences purchase behaviour and provides immediate incentive to buy. Sales promotion tools provide wonderful results when supported by advertising and personal selling.

3.1 Types of Sales Promotion

- **Consumer Sales Promotion**

It intends to inform, educate or stimulate consumer action. Different sales promotion tools are used to influence purchase behaviour of consumers. Free air trips to exotic

locations, customer cards with attractive offers, gifts on special festivals are commonly used by companies to reward loyal customers and to reinforce purchase behaviour. Contests, samples, free gifts, money refund offers are used to attract customers of rival firms. Extra quantity on frequent purchase, bonus packs, discounts, attractive packaging help in retaining existing customers and reduce their tendency of brand switching. Buy one-get one offers, reusable jars or bowls with products, soap case with toilet soaps, free bucket with purchase of specific quantity of detergent increase consumption and frequency of usage.

- **Trade Promotion**

Trade promotion activities aimed at motivating members of distribution channels to increase frequency and quantity of purchase. Trade promotion tools are directed to capture more shelf space at retail outlets, increase inventories of retailers, push slow moving items or support consumer sales promotion. Displays at point of purchase give a real pay off by enhancing sales. Shop signboards, attractive display units, free air tips to reward top performers, free gifts, huge trade allowance to increase dealer's margin, dealer contests, monetary bonuses, free training are common tools used to stimulate dealer effectiveness.

3.2   Objectives of Sales Promotion

- Informing buyers about new brand or product
- Expanding market base
- Enhancing usage rate of existing customers
- Drawing attention to new products or services.
- Supplementing advertising and personal selling efforts
- Developing brand loyalty
- Capturing more shelf space at retail points
- Inducing dealers and retailers to sell more of particular brand
- Pushing slow moving product lines

3.3   Advantages of Sales Promotion

- It stimulates dealer effectiveness.
- Provides direct inducement to make immediate purchases.
- Helpful in introducing new product or service.
- It provides quick results.
- This promotional activity is flexible and can be used any time for informing, educating or stimulating buyer or trader's response.
- Use of sales promotion with advertising and personal selling provides 2+2=5 effect i.e. something extra.
- Maintains customer patronage.

3.4 Limitations

- It is temporary and short term approach. It cannot alone develop brand loyalty. Other promotional tools are also needed.

- Sales promotion tools do not bring desired results in case of declining market for established brands, no improvements in product and intense competition in consumer sales promotion.

- Run of the mill sales promotion schemes or too many sales promotions may hit the brand image or lead to brand switching. Company may face diminishing returns as it raises doubt about lack of product popularity or overstocking by company.

4 Personal Selling

Personal selling (also termed as salesmanship by some authors) refers to direct personal contact between a sales representative and one or more prospective customers to influence the customer in a purchase situation. Personal selling is a positive effort as it involves not only persuading people to do what the marketer wants them to do but rather helping them to make intelligent buying decision which will benefit both the buyer and seller. Personal selling is highly distinctive and involves two way communication. It involves securing information about buyer's unsatisfied needs and wants by the salesman and supplying information about goods and services to the prospective buyer.

Peterson and Wright viewed salesmanship as a process of ascertaining and activating the needs or wants of the buyer by the seller and satisfying them to the mutual and continuous advantage of both the buyer and seller.

According to *F. A. Russel*, "Salesmanship is the art of selling and nothing more or less than making the other fellow feel as you feel about the thing you have to sell."

In the words of *Garfield Blake*, "Salesmanship consists of wining the buyer's confidence for the seller's firm and goods thereby winning regular and permanent customers".

Personal selling provides immediate feedback of information as it involves face to face interaction between buyer and salesman. Salesman can accordingly adjust his message and may emphasize upon those selling points in which the prospect has shown interest.

4.1 Features of Personal Selling

- Personal selling aims at winning buyer's confidence by providing best solution to his problems and educating him.

- Salesman attempts to find out needs and wants of customers and provides products to satisfy these wants.

- Salesmanship involves educating people about product availability, its special features and utility in satisfying specific needs of customers.

- Modern salesmanship enables manufacturer to produce more and increase his sales. At the same time, it helps buyer in getting maximum return for the money spent by him.

- Salesmanship is a creative process. A lot of creativity is required for convincing customer about use of product or service and creation of demand.

4.2 Sales Process

The usual steps of sales process can be enumerated as follow:

- **Pre-sale preparations:**

A salesman must identify buyer's problem and prescribe a solution to him. For this, he must acquaint himself with product, organization and selling techniques. He must know various buying motives of the customers and level of competition prevalent in the market environment.

- **Prospecting**

Prospecting means locating of prospects i.e. probable buyers, who have unsatisfied needs and ability as well as willingness to buy (i.e. motivation). Prospects can be located through present buyers, phone directories, data bank or other salesmen. Located potential buyers must be qualified i.e. they should have need, buying ability, authority and inclination to buy. In addition, they should be accessible to salesmen.

- **Pre-approach**

Salesmen should identify the needs, preferences, nature and behaviour of prospects and prepare his sales presentation accordingly. The sales presentation must correspond to the needs of individual prospect.

- **Approach**

It is the stage where the salesman has direct interaction with the prospect. Approach consists of obtaining an interview by using various means like telephone, business card, and the first contact. The salesman should be able to attract prospect's attention and arouse his interest in the product.

- **Sales Presentation and Demonstration**

It is the process of formally presenting the product to the customer and explaining its characteristics and benefits. Sales presentation should be made in a language which is easily understandable by the prospect. Presentation should be complete, clear, concise and positive. Lively and interesting sales talk, demonstration of the product (if possible) and visual aids can help in arousing prospect's interest in the product. Use of testimonials, guarantees, comparisons and tests to justify superiority of the product will win the confidence of prospect.

- **Overcoming Objections**

Objections, arguments and reactions represent feedback to salesman's communication. The sales cannot take place unless any objection or query raised by prospect is satisfactorily answered. Salesman should welcome objections and interpret them correctly. He should follow problem solving approach while handling these objections to offer adequate solutions to prospect's needs, difficulties and specific problems.

- **Close**

It is the act of getting buyer's assent to purchase the product. Salesman should be alert and apply the close on getting any clue that prospect is willing to buy. Salesman may offer inducements to close a sale such as extra quantity, huge discount, free gifts and so on. It is important that sales must be initiated by salesman at opportune time i.e. when the salesman's mind and prospect's mind are in perfect agreement.

- **Follow up**

Follow up or post sales contacts are essential to ensure customer satisfaction and repeat business. After closing the sale, the salesman should extend help to arrange dispatch of goods, grant of credit and other formalities. Follow up calls at frequent intervals should be made to detect any problem, assure the buyer on the wisdom of his decision, show salesperson's concern for him and reduce any cognitive dissonance.

It is important to note that any sales process takes customer through certain stages of mind. These stages can be summarized as AIDAS i.e. Attention, Interest, Desire, Action and Satisfaction. The salesman should secure customer's attention, arouse his interest, ignite his desire, convert his desire into demand for product and provide after sales services.

A	I	D	A	S
Attention	Interest	Desire	Action	Satisfaction
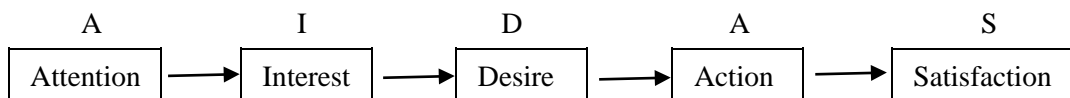
AIDAS MODEL

4.3 Types of Salesman

4.3.1. Manufacturer's Salesmen : These salesmen are employed by manufacturers to sell the product to wholesalers, retailers or customers. These salesmen can be summarised as :

(i) **Missionary Salesmen :** These salesmen are employed to create demands for services like insurance, banks, advertisement agency. They create, develop and maintain the goodwill of the enterprise. Manufacturers of medical supplies employ these salesmen to promote their products to distributor and retail medical stores.

(ii) **Promotional Salesmen** : These salesmen are employed for sales promotion. They usually do not take spot orders. Salesman of a pharmaceutical company may contact doctors to convince to recommend specific medicine to their patients.

(iii) **Merchandising Salesmen :** These salesmen provide advise to dealer and collect information from the market. They help dealers in increasing their sales by guiding them in selling the goods. They assist dealers by demonstrating the product or arranging publicity.

4.3.2 Speciality Salesmen : These salesmen are engaged in selling particular goods such as computers, typewriters, air conditioner etc. They meet the perspective customer and explain as well as demonstrate the functioning of their product. They create demand among the customers to buy specific product.

4.3.3 Wholesaler's Salesmen: These salesmen are employed by wholesalers to sell their products. A wholesaler's salesman deals with retailers and industrial customers. He informs the retailers about new products and books their orders at regular intervals.

4.3.4. Retailer's Salesmen: Retailers appoint salesmen to sell their products to ultimate consumers. They may be travelling salesmen or indoor salesmen.

4.4 Advantages of Personal Selling

Personal selling is important ingredient in promotion mix. According to Levitt, "Personal selling is as basic to our society as metabolism is to life". The various advantages of personal selling can be enumerated as :

- Personal selling leads to minimal spill over and wastages as it is directed to qualified prospects only.

- Personal selling is flexible. Salesman can adjust sales talk and presentation to meet individual needs and motives of prospect.

- It is possible for salesperson to detect loss of customer interest and regenerate it by reinforcements.

- The salesman acts as market researcher. He transmits valuable information which enables organization to make tactical adjustments and strategic plans.

- In personal selling, long lasting relationship can be developed between salesman & customer which secures future business.

- Personal selling has assumed great importance in service marketing like tourism, hotels where personalized services and relations with customers are in great demand.

- Other promotional tools also arouse interest but usually it is left to the salesman to complete the sale.

- Detailed explanation and demonstration of product lubricate selling process which is essential for technically complex and innovative products.

4.5 Limitations of Personal Selling

- Cost per contact is high.

- There is dearth of good salesmen.

- Customer loyalty can be lost on retirement or exit of a good sales person if it is built up around him.

4.6 Prerequisites of Effective Selling

- **Information about Company**: Salesman is representative of whole company. He must know company's history, policies, service facilities, procedures, guarantees etc. Salesman will be in a better position to answer all queries of buyers about firm or company when he himself knows it well.

- **Product knowledge** : Salesman should be familiar with product features, material, its uses, handling instructions and so on. A salesman may not finalize sale if he is lacking knowledge about product.

- **Knowledge of competition** : Salesman can claim superiority of his product only when he knows product of rivals. He should continuously assess the market offerings of his competitors and determine their strengths and weaknesses. Comparisons of product should be made on those points in which buyer shows interest.

- **Information about customer:** Knowledge about customer needs, desires, buying motives and habits can help in tailoring the product to specific requirements of customers. Salesman should have knowledge about socio-psychological factors which influence buyer behaviour so that sales presentation can be related to buying process of customer.

- **Knowledge of Selling Process** : Selling process involves stages viz. prospecting, preparation, sales presentation and after-sales activities. Salesman should have knowledge of these activities and use AIDAS formula i.e. attention, interest, desire, action and satisfaction while initiating sale. His all selling efforts should culminate in actual sales.

4.7 Qualities of Good Salesman

4.7.1 **Physical Qualities :** First impression is the last impression. Salesman should be physically fit, mentally sound and well dressed. His cheerful face, pleasing voice and humorous nature will enable him to easily win the mind of prospect during a sales talk. His attractive personality will stimulate customer's interest in his talk and guidance.

4.7.2 **Mental Qualities :** Salesman should have good memory and keen observation. He must be tactful and able to assess customer's needs or buying motives so as to adjust his sales talk. He should have strong determination and ego drive (passion for achieving set goals). Salesman should be able to arrange things in correct manner and handle difficult situations at his own. His self confidence will also inspire confidence in his customers. He should develop empathy i.e. ability to identify customer's feelings, emotions, thoughts and reactions.

4.7.3 **Social Qualities :** Good social behaviour is always expected from salesman. Salesman should be polite, respectful, co-operative and extrovert. He should be adaptive to different attitudes, behaviour and culture of buyers. Greeting customers with smiling face, using polite expressions and being humble while dealing with customers are pillars to success in salesmanship.

4.7.4 **Moral Qualities :** Honesty and integrity of salesman bring more business. Salesman should be loyal to his employer. Once salesman creates goodwill, customers depend on him, rely upon his statements and seek his guidance. His moral qualities will lubricate his selling efforts and reinforce customer confidence.

4.7.5 **Technical Qualities :** In addition to personal qualities, salesman should have technical skills. These skills are learnt with experience. Study of techniques and principles of salesmanship help in making salesmen successful in their jobs. Salesman should be aware of product, its features and uses. He must know his producer, history of the firm and nature of customers as well as their buying motives. He should not indulge in arguments with customers. Salesman must know AIDA model for finalizing sales.

5 Difference Between Personal Selling and Sales Promotion

	Personal Selling		Sales Promotion
1	Personal selling involves face to face interaction between buyer and salesman.	1	It involves use of various monetary and non-monetary incentives to stimulate dealer effectiveness and customer purchasing.
2	Good interaction between buyer and salesperson.	2	Less or no interaction between salesman and consumer.

3	Personal selling is best suited for selling technically complex products.	3	This method cannot be of much help in selling technically complex products.
4	Salesman can easily win the confidence of buyer and can close a sale.	4	Traditional or old sales promotion tools cannot provide much incentive to buyer to make purchase of costly products.
5	In personal selling, push strategy is required for selling industrial goods.	5	In sales promotion, both pull (customer sales promotion) and push strategies (Trade promotion) have equal importance.
6	After sales services are assured in personal selling. Follow up calls help in building customer loyalty.	6	Sales promotion alone cannot create brand loyalty. It works best when combined with other promotional tools such as advertising and personal selling.
7	In personal selling, marketer also acts as market researcher. He collects valuable information about customer needs and desires and disseminates this information to the producer to make product as per customer requirements.	7	Sales promotion tools are used only to accelerate sales.
8	The salesman's task is not over on selling the product. He has to assure the buyer about wisdom of his decision and solve after-sales problems whenever arise.	8	Any sales promotion activity is of short duration. Different sales promotion tools are applied at different times.
9	Cost per prospect is extremely high.	9	Cost per customer / client is low.
10	It requires highly trained sales executives to engage in personal interaction with individual customers.	10	Highly trained sales professional are not required to implement sales promotion tools.
11	Sales presentations and demonstrations are essential ingredients of personal selling.	11	Dealer contests, price reduction, free gifts, retail outlet displays are important sales promotion tools.
12	Personal selling involves two way communication process.	12	Sales promotion is one way communication activity.
13	Hotel, tourism and insurance industry need personalized services and personal selling is best option for selling their services or products.	13	Sales of consumer goods can be accelerated through sales promotion activities.
14	There is high level of adaptability.	14	There is less adaptability.
15	It has depth.	15	It has width.

6   Summary

Sales promotion refers to short term special selling efforts to accelerate sales. It is a promotional activity which provides monetary and non-monetary incentives to spark an immediate reaction from target consumers (consumer sales promotion) and dealers or firm's salesperson (Trade promotions). Consumer Sales promotion pulls a product or service by stimulating demand and trade promotions push a product or service by arousing enthusiasm among channel members to sell more of a particular brand. Sales promotion influences purchase behaviour and provides immediate incentive to buy. Sales promotion tools provide wonderful results when supported by advertising and personal selling.

Personal selling also termed as salesmanship, refers to direct personal contact between a sales representative and one or more prospective customers to influence the customer in a purchase situation. Personal selling is a positive effort as it involves not only persuading people to do what the marketer wants them to do but rather helping them to make intelligent buying decision which will benefit both the buyer and seller. Personal selling is highly distinctive and involves two way communication. It involves securing information about buyer's unsatisfied needs and wants by the salesman and supplying information about goods and services to the prospective buyer. Personal Selling process includes pre-sale preparations, prospecting, pre-approach, approach, sales presentations, overcoming objections, closing sales and follow up. A good salesman should have moral, social, physical and technical qualities and he should know his company, product, competitor and customer. Both sales promotion and personal selling when combined bring significant results.

Test Yourself

1. What is sales promotion?

2. What is personal selling?

3. What are the difference between sales promotion and personal selling?

Unit 20 Sales Promotion and Advertisement

Unit Structure

Objectives

After studying this module, you shall be able to:

To Describe the concept of Sales Promotion
To Identify the Objectives of SP
To State the Importance of SP
To Analyze the various Methods of SP
To be able to evaluate SP

Introduction

Concept and Definitions

The term "sales promotion" refers to the use of short term incentives to increase the sale of products or services. Sales promotion may be focused toward the distribution channel (by furnishing incentives for sales) or directly at the consumer. It is a method generally used by the companies for introducing new products, clearing inventories, building clientele and above all giving sales a little boost or push. Sales promotion is one of the seven elements of a promotional mix, along with advertising, personal selling, corporate image, public relations, direct marketing and exhibitions. Sales promotion is generally used as a technique of promotion to supplement and coordinate with other two main elements (advertising and personal selling) of company's promotion mix. It may be a package of various promotional activities that help in enhancing sales.

Fig. 1 Sales Promotion

Consumer sales promotion denotes a large share of the total marketing expenditure despite which it remains an area that still demands attention as a critical component of the promotion mix which aims to boost short term sales. Thus it is not denying the fact that most of the marketers employ sales promotions strategies to attract the market share for their products and services.

.

One of the basic characteristics of sales promotion is that it is neither fixed nor permanent. If the sales volume of the product is affected by seasonal influences, the company may decide to offer price discounts or to lower the price but for a short period. However, if the prices are reduces because of the stiff competition, it is not sales promotion rather a function of pricing.

Relationship between Sales Promotion and Advertising

The two terms sales promotion and advertising are often confused and used interchangeably by the marketers. But both of these terms are different and have individual identity with distinct definitions and uses. So, it becomes important to understand the role each plays in reaching today's ever more intelligent consumer.

Advertising is a tool in marketing mix used for the positioning of a product or service against that of competitors. It is also used to create an image of a brand of a product in the minds of the consumers and to enhance its value in their eyes. A television commercial for a brand new automobile emphasizing the car's new features and styling is an example of advertising. Sales promotions, as already discussed, include various strategies that are designed to offer consumers an additional incentive to buy (usually in the short-term). Examples of sales promotions include discount coupons, buy-one-get-one offers and special 'Day-of-the-week' discount at the grocery stores but all for a limited period of time. The significant difference between advertising and sales promotion is the approach that is adopted to appeal to the consumer. Advertising is emotional in nature and the objective is to create a long-term brand image. For example, in case of products like perfumes, makeup, body lotions and jewelry there is a need for imaginative advertising to create the attention needed to sell these products. Sales promotions, on the other hand, are based on rationality (unemotional). A discount coupon for a product appeals more to the consumer's rational mind (by using comparative analysis) and promotes the sales.

Objectives of Sales Promotion

Till now we have learnt that the main objective of sales promotion is to increase sales through short term incentives. However, there are some other objectives of sales promotion, which may be listed as follows:

To increase the buying response at the customers level.
To attract new customers.
To ensure dealer effectiveness.
To make aware the public about the new product, its usage and advantages.
To capture the major percentage of total market share.
To meet the competition from other firms.
To use off-season discounts to boost sales.
To create brand image.
To create additional positive points about the products for sales persons.
To make provisions to do away with customer's dissatisfactions.
To bridge the gap between advertising and personal selling.
To maintain communications with large market segments.

To build a favourable attitude towards the product.
To stock more at the various intermediary levels.

Significance of Sales Promotion

Sales promotion is a marketing activity that adds to the basic value proposition behind a product (e.g., getting more for less) for a limited time in order to stimulate consumer purchasing, selling effectiveness, or the effort of the sales force. Thus, sales promotion is considered as one of the important and powerful tool for increasing the levels of sales.

Importance from the point of view of Manufacturers

It helps in increasing the sales in a competitive market leading to increase in profits.
It is especially helpful at the time of introducing new products in the market by drawing the attention of potential customers;
When a new product is introduced or there is a change of fashion or taste of consumers, existing stocks can be quickly disposed-off with the help of different schemes of sales promotion;
It is helpful in earning the loyalty and thus stabilizing sales volume by keeping its customers with them. In the age of competition it is quite possible that a customer may switch to other brands. In such a situation, various incentives under sales promotion schemes help to retain the customers.

Importance from the point of view of Consumers

The consumer gets the product at comparatively cheap and more affordable rate;
It gives financial benefit to the customers by way of providing prizes, coupons, gift vouchers and sending them to visit different places;
The quality, uses and distinguished features are highlighted through it to make aware consumers about the different aspects of products.
Certain schemes like exchange, return or money back offer creates confidence in the mind of customers about the quality of goods; and
Many a times companies extend exchange offers. It helps in overall raising the living standards of customers. By exchanging their old items with the new products, consumers can use latest products available in the market and improve their image in the society.

Methods/ Techniques/ Tools of Sales Promotion

To increase the sale of any product manufactures or producers adopt different measures like sample, gift, bonus, and many more. These are known as tools or techniques or methods of sales promotion (as shown in Fig. 2). Some of the commonly used tools of sales promotion have been discussed in the following paragraphs.

Free samples - Sometimes free samples of products such as shampoo, washing powder, coffee powder, etc. are distributed to attract consumers' attention so that they try out these product and new customers are created. Some companies also distribute samples among selected/ related persons in order to promote the product. For example, in the case of medicines, free samples are given to the physicians, so that they can try these on their patients.

Premium or Bonus offer - A milk shaker along with Nescafe cold coffee, mug with Bournvita, toothbrush with 500 grams of toothpaste, 30% extra in a pack of one kg., etc. are some of the examples of premium or bonus given free with the purchase of a product. These may prove effective in inducing consumers to buy such product. This is also useful for encouraging and rewarding existing customers.

Exchange schemes - It refers to offering a company gives in exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. 'Bring your old mixer-cum-juicer and exchange it for a new one just by paying Rs.500' or 'exchange your old television with a new LED television' are some of the examples of exchange scheme.

Price-off offer – The products are sold at a price lower than the original price in such kind of offer. 'Rs. 2 off on purchase of a Margo soap, Rs. 15 off on a pack of 250 grams of Tata Premium tea, Rs. 1000 off on OTG/ microwave' etc. are some of the examples of such

offers. These type of scheme are formulated to push up sales even in off-season or slack season and also sometimes, at the time of introducing a new product in the market.

Coupons - Sometimes, we find coupons either in the packet of a product or through an advertisement printed in the newspaper or magazine or through mail. The holder of the coupon gets the product at a discount on presenting it to the retailer. For example, you might have come across coupons like, 'show this and get Rs. 15 off on purchase of 5 kg. of Annapurna Atta' or 'the cutout of the coupon will get you additional 5% discount'. The reduced price under this scheme attracts the attention of the potential customers towards new or improved products.

Fairs and Exhibitions - Fairs and exhibitions are organized by the government as well as private organizers at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. 'International Trade Fair' held every year at Pragati Maidan, New Delhi from 14th to 27th November, is a well-known example of Fairs and Exhibitions as a tool of sales promotion.

Trading stamps - In case of some specific products trading stamps are distributed among the customers according to the value of their purchase. The customers are required to collect these stamps of sufficient value within a particular period in order to avail their benefits. This tool induces customers to buy that particular product more frequently to collect the stamps of required value.

Scratch and win offer - Under this scheme a customer is induced to buy and scratch a specific marked area on the package of the product and get the benefit according to the message written there. In this way customers may get some item free as mentioned on the marked area or may avail of price-off, or winning of a car/bike or a special tour arranged by the manufacturers.

Money Back offer - The customers are sometimes given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product. This technique is particularly useful while introducing new products in the market.

Full Finance @ 0% - Under this method, the product is sold and sale money received in installments at 0% rate of interest. The number of installments in which the price of the product will be recovered from the customer is generally fixed by the seller and these installments are interest free.

Contests – 'Contests' is very widely held form of sale promotion used by marketing managers to popularize their products. Consumers taking part in the contest are asked to

answer some very simple questions on a form and forward the same to the company. There may be consumer contests, salesman's contest and dealer's contests.

Evaluating Sales Promotion

In order to know whether the sales promotion programme related to the objectives of the company are being accomplished or not, the marketers evaluate these programme. The common techniques that are used to measure these programme are (i) Pretesting (ii) Concurrent testing, and (iii) Post testing.

1. Pre testing – Pre testing technique is used to select the most effective promotional tool from a number of alternative promotional concepts. It helps the marketers to know that how the sales promotion is to be communicated and what to be communicated by indicating consumers' perceptions towards their product and risk involved. The concept is tried and tested in the selected target market at a small scale and the scheme is introduced in the actual market if it finds the acceptance with the trial audience.

Sales Promotion Budget

The marketing manager is also given the responsibility of projecting the budget or cost of the sales promotion activities of the company. Various activities are categorized and allotment of the required funds is specified to each category keeping in mind the expected expenditure. For this, an estimate of the overall expenditure on sale promotion activities is also required to be made. This can be done in following two possible ways:

Top-down approach – In this approach, the top management informs the sales promotion manager regarding the total amount of the budget to be spent over the specified period. As the limit is set first and the plans are adjusted accordingly afterwards, this approach faces a serious limitation related to such limits which are likely to be 'rule of thumb' or arbitrary. As a result, the sales promotional personnel feel helpless for the want of funds and lack of financial freedom.

Bottom-up approach – In contrast to the earlier approach, this approach take a reverse path. Here, first of all the target audience is selected, then objectives are set, afterwards the relative allocations are planned and costs are estimated so that the budget can be designed and this total outlay becomes the budget limit. This budget becomes final only after it is approved by the top management.

Summary

Sales promotions is the direct and immediate inducement hat adds extra value to the product which prompts the sales force, dealers and customers to buy the product.
Sales promotion utilizes a variety of incentive tools such as samples, coupons, discounts, premiums, refunds, rebates, contests, trade deals, etc. for a pre-determined period of time.
The basic objective of such promotions is to stimulate consumer interest in various products, services, activities and special events.
Sales promotions are largely directed towards end-users called consumers.

Test Yourself

1. Explain the Relationship between Sales Promotion and Advertising
2. What are the objectives of Sales Promotion
3. Explain the Significance of Sales Promotion
4. Explain the Importance from the point of view of Manufacturers
5. Explain Importance from the point of view of Consumers
6. What are the various Methods/ Levels/ Tools of Sales Promotion