

SECTION - I

1

INTRODUCTION TO MARKETING

PART I

Unit Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Meaning & Definitions of marketing
- 1.3 Importance of marketing
- 1.4 Scope of marketing
- 1.5 Concepts of marketing
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1.0 OBJECTIVES

After studying this chapter students will be able to:

- Understand the meaning and definition of marketing.
- Explain the nature of marketing
- Discuss the importance of marketing
- Know the scope of marketing
- Explain the concepts of marketing

1.1 INTRODUCTION

The emergence of 'marketing' as a business discipline is of relatively recent origin. Though it has been practiced from the time of barter through money economy to today's modern complex marketing system, exchanges have been taking place. The

ideas associated with marketing have undergone a great deal of change over centuries. Even after marketing became a full-fledged business discipline.

Marketing, more than any other business function, deals with customer. It revolves around the customer. Building relationship based on customer value and satisfaction is at the very heart of modern marketing. The pricing strategies adopted the promotional tools selected; the design, shape and size of the product and the place of sales etc. are all decided after finding out the lifestyle, culture, buying habits and media consumption habits etc of all customers

Marketing links producers and consumers together for mutual benefits production will be meaningless if goods produced are not supplied to consumers through appropriate marketing mechanism. When we saw around us we find marketing in advertisements that fill our T.V. spice up our magazines, stuff our mailbox or enliven our web pages. At home, at school, where we play, and where we work. We came across the marketing in almost everything that we do. Behind it all is a massive network of people and activities competing for our attention and purchases.

1.2 MEANING AND DEFINITION OF MARKETING

Many people think of marketing only as selling and advertising. And no wonder – every day we are bombarded with television commercials, newspaper ads, direct mail-offers, sales calls, and internet pitches. However selling and advertising is only the tip of the Marketing iceberg. They are only two of many marketing functions and are often not the most important one.

There are two concepts of marketing which gives us clear meaning of marketing. They are:

- A) Traditional concept of marketing.
- B) Modern concept of marketing

As per traditional concept of marketing, marketing means those efforts, which effects in transfer ownership of goods and care for their physical distribution. It consists of all those activities which are meant to ensure the flow of goods and services from the producers to the consumers and relate to the creation of time, place and possession utilities.

But as per modern concept of marketing, it is more than mere physical process or set of activities. It represents a distinct philosophy of business that has emerged over the recent years that is creation of customer. Here the customer is cause and purpose of all marketing activities. Marketing deals with identifying and meeting human and social needs. It is described as “meeting needs profitably” creation of customer means identification of consumer needs and organizing, the business to meet these needs. In the another words a firm makes a conscious and organized efforts to find out what the members of the community needs and how it can be provide maximum measures to satisfactory them. It produces that what the consumer needs, in the quantity that the consumer requires, at a price the consumer will pay for the satisfaction offered to him in

the form of goods and services, through channels that suit the consumer needs goods and services. Thus the modern concept of marketing focuses on the consumer and the satisfaction of his needs. That is why it is said to be consumer oriented concept.

However marketing has been understood and defined by various people in various ways. Let us consider a few established definitions of marketing.

1.2.1 Definitions of marketing :

1) **According to American marketing Association** “The performance of business activities that directs the flow of goods and services from the producer to the consumer”.

2) **As per Theodore Levitt’s opinion** “Marketing as a view point which looks at the entire business process as a highly integrated effort to discover, create, arouse and satisfy consumer needs.

3) **According to Philip Kotlar**, “Marketing is human activity directed at satisfying needs and wants through exchange processes.”

4) **According to William Stanton** “ Marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying products to target markets to achieve organizational objectives.”

1.2.2 Nature of marketing / Nature / features of marketing:

Following are the features of marketing.

1) Marketing is a process:-

Marketing consists of a series of functions which are interrelated. It is dynamic process. As it is concerned with human needs, therefore it is also called social process. In additional it is also known as managerial process as it looks after the functions of planning and control. It keeps on adjusting the changes in the environment of business.

2) Marketing is consumer-oriented:-

Marketing revolves around the customer and his needs. It starts with identifying the needs of the customers, planning and developing the product accordingly and ensuring that the product is made available at the place where the consumer wants.

3) Marketing is both art and science:-

Market is an art as the marketing manager must have his own caliber to do marketing. A number of principles on buying, selling, financing, standardization and marketing information have been adopted to attain success in business. Marketing is science and it indicates market operations based on facts and principles. It outlines approximate trends and behavior of the market precisely marketing is both art and science.

4) Transfer of ownership :-

Marketing leads to transfer of ownership and title of goods from the producers to the consumers. It also facilitates physical distribution & possession of goods and services.

5) Precedes and follows production :-

Production and marketing are closely related precedes means before production and follows means after production. In modern marketing production is adjusted as per the needs and expectation of consumers. Thereafter commercial production is undertaken and the product is launched in the market. Such product gets consumer support as it is as per the market need. This is to be checked by the marketer. Therefore marketing has precedes and follows of production.

6) Core aspect of business :-

Marketing is within the scope of the term business and is also linked with other functional areas of business which include, production, finance, personnel and so on. It is managerial functions. These are and involve analysis, planning and control of marketing activities in an organisation.

7) Importance of 4 ps :-

Large scale marketing and successful marketing is possible through the good combination of 4P^s called marketing mix. These are product, price, promotion and physical distribution (place). If any one of these element not considered well or adequately, then marketing will fail.

8) Marketing is Dynamic concept :-

Marketing is undertaken within existence of various environmental factors such as political, social, technological demographic etc. These factors are dynamic and uncontrollable and keep an changing very fast. Success in marketing depends upon how quickly one adjusts to these changed circumstances.

1.3 IMPORTANCE OF MARKETING

Marketing is an important component of business. It satisfies human wants and also serves as an instrument for economic growth and social welfare. Even large scale production is possible because of the support of marketing system. As marketing is growing all over the world, all countries are participating in global marketing and sharing benefits of such participation. In short we can say now a days marketing has become important in every stage of business and in every walk of the common peoples life. Some of the points which can explain its importance are as under:-

1) Satisfies human wants :-

The essence of marketing is to understand the needs and wants of consumers. It identifies unfulfilled human needs, convert them into business opportunities and as it

involves in production and distribution process, through the exchange process satisfies the customers.

2) Generates Employment :-

Marketing generates job opportunities directly or indirectly. Marketing involves in various functions like production, distribution, promotion etc. Thousands of people are employed in these sectors. Thus people gets work for their hands.

3) Improves standard of living :-

Marketing facilitates introduction of new and better products and also as per needs of consumers. It also intensifies competition forcing the marketers to improve the quality of their products and offer those at reasonable price. This raises the standard of living of the people. Consumers may start consuming good quality products as marketing has converted "yesterday's" luxuries into today's necessities. This leads towards standard of living.

4) Creates utility :-

Marketing is important as it creates form, time, place and possession utilities. Such utility creation gives satisfaction and pleasure to consumers.

5) Introduction of new products :-

In order to stay ahead in competition, it is necessary for an organisation to develop new products frequently. Marketing functions like research, product development etc. facilitate introduction of new products. As marketing starts with customer and ends with it also indentifies exact need of the people and according introduces the product.

6) Achieves objectives :-

With the help of the marketing activities, business firms can earn good amount of profit. This helps them to achieve business objectives like increase in market share, creating goodwill, expanding business and so on.

7) Widens Markets :-

Marketing widens market through large-scale movement of goods throughout the country. Marketing includes various promotional tools like advertising personal selling, sales promotion, direct marketing etc. These promotional tools help a firm to expand its market from local to regional to national and at international level.

8) Facilitates specialisation and division of labour :-

Marketing functions, if performed successfully, leads to specialisation, division of a labour and efficient performance of production of functions. Marketing gives basic ideas about customers needs and requirements, business can arrange and allocate resources accordingly which leads to division of labour.

9) Economic growth :-

Marketing brings industrial and economic growth as it creates new demands for goods and thereby encourages production activities. This leads to the creation of massive employment opportunities. Thus marketing is the kingpin that sets revolving of the whole economy.

1.4 SCOPE OF MARKETING

Scope of marketing is the utility or implementation of marketing in that field or sector or activity. Following are the some broad areas where scope of marketing lies.

1) Marketing Research :-

Marketing research is one important area within the scope of marketing. MR is depth study of different aspects of marketing. It also covers the study of marketing problems faced by organisation. Detailed and reliable information of different aspects of marketing is available through research work.

2) Product planning and Development :-

A marketing company has to bring suitable modification in its existing products from time to time as the product is the base of entire marketing activity. Such new product must be as per the needs and expectation of consumers and attractive and agreeable to them. The marketing helps in all these aspects of product planning and development.

3) Pricing :-

It is one more important element of marketing mix marketing depends on the pricing policies of a firm. A minor change in price may leads to major, positive or negative effect on the firm so it has to be fixed with consultation or consideration of market competition, market demand, consumers' psychology, availability of substitutes etc. Here marketing helps to the firm.

4) Packaging :-

Product need attractive and durable package. It must be attractive and agreeable to consumer periodical changes in the package design, colour combination, size etc. is necessary in order to maintain interest of consumers in the product. Packaging is within the scope of marketing.

5) Branding and labeling :-

Branding means giving suitable name or symbol to the product. Label is attached to a product and gives useful information to purchasers. It makes product popular and promote sales. Again making periodical changes in labeling is also desired, this will be possible with the help of marketing.

6) After sales service :-

After-sale-service means providing services in the form of repairs, maintenance, installation and replacement of defective components. After Sale of the product. Such services are required in case of durable and costly products. Consumer prefers such services and the seller offers to survive or stable marketing / marketing management.

7) Advertising and publicity :-

A marketing firm has to give publicity to its products through suitable advertising and public relations. It is necessary to stay in stiff competition in the market and to compete the aggressive marketing policies of the competitors. Advertising also helps to support personal selling and sales promotion programmes.

CHECK YOUR PROGRESS:

1. "Marketing deals with identifying and meeting human and social needs." Explain.
2. Give the definition of Marketing given by the following authors:
 - a. Philip Kotlar
 - b. William Stanto
 - c. American Marketing Association
3. "Marketing satisfies human wants and also serves as an instrument for economic growth and social welfare." Discuss.

1.5 CONCEPTS OF MARKETING (EVOLUTION OF MARKETING CONCEPT)

According to Philip Kotlar marketing is a social activity. In fact it is a mechanical way by which goods produced are supplied to consumers for their use and satisfaction and concern with exchange of goods.

The concept of marketing has wider socio-economic meaning and significance. The marketing concept has the basic philosophy or a cause of business thinking. The marketing concept influences marketing activity and suggests the manner in which marketing activity is to be conducted. In short we can say marketing concept is the philosophy of an organisation in relation to the marketing. The concept of marketing has changed over a period of time. Now companies have adopted customer oriented approach. Instead of pushing customer to buy what the firm has produced, they try to offer customers what they need. There are different perceptions of the concept of marketing. This leads to the formation of different concepts of marketing. There are six distinct concept of marketing which guide the marketing firms are as under.

1. The exchange concept.
2. The production concept.
3. The product concept.
4. The Sales concept.
- 5) The Marketing concept.
- 6) The Societal concept.

Let us now consider these concepts of marketing:

1) The exchange concept

It is old concept of marketing and quite popular. According to this concept, exchange of a product between the seller and the buyer is the central idea of marketing.

Though such exchange & (or transfer of ownership) of goods is important aspect of marketing. But marketing concept is not merely exchange of goods and services. It is narrow meaning of marketing concept. It ignores important aspects of marketing such as concern for customers, generation of values, satisfaction or creative selling etc. To conclude we can say it is traditional one concept. Consumers are taken for granted to buy whatever is produced in order to meet their needs. However, it is outdated concept.

2) The production concept :-

As per this concept, production is the base of marketing. Marketing can be managed (done) easily with large scale and continuous production. Under this concept it is presumed that the customers prefer products that are inexpensive and widely available. So marketers have undertaken mass production system. The companies holding this view try to improve their production efficiency with help of use of modern technology and reducing cost of production and making products available on large scale in the market. However this is one sided concept, as it does not consider the needs and expectations of consumers. Hence it is less relevant in today's marketing activity.

3) The product concept :-

The product concept of marketing stress on the product (its quality and performance). This suggests that large scale marketing is possible by improving the quality of the product. It is assumed that quality products will be sold easily and quickly in the market.

Hence again the focus is on the seller rather than on the buyers. Companies accepting this view concentrate on improving the quality of their product by importing technology or by undertaking Research and Development activities. They may fail on their marketing front as they do not bother to study the consumer and their needs and expectation like and dislikes etc. and stress on only product's excellence or quality which differs from individuals to individuals.

4) Selling concept:-

According to this, concept a company cannot expect its product care to be sold automatically, but it has to be sold in the market. The products must be given push through sales promotion techniques which includes massive advertising, personal selling, offering discounts, gifts, attractive packages etc. Therefore it is called sales promotion oriented concept. Here in this concept, the seller is the centre of all marketing efforts. Companies having excessive production capacity or facing keen market competition may adopt this concept of marketing. To increase the sales company may appoint imaginative, knowledgeable, energetic and creative sales force instead of considering customers needs and expectation. This is also not in tune of today's marketing.

5) Marketing concept:-

This concept emerged in the mid – 1950's. It is consumer oriented philosophy and service-oriented marketing concept. It considers marketing starts with customers

and ends with customers. In other word marketing starts with determining consumer needs and ends with satisfaction of their needs or wants. This concept believes in “making what can be sold rather than selling. What is made”. This will serve the purpose of marketing concept of achieving organisation goal of earning profit by satisfying the consumers.

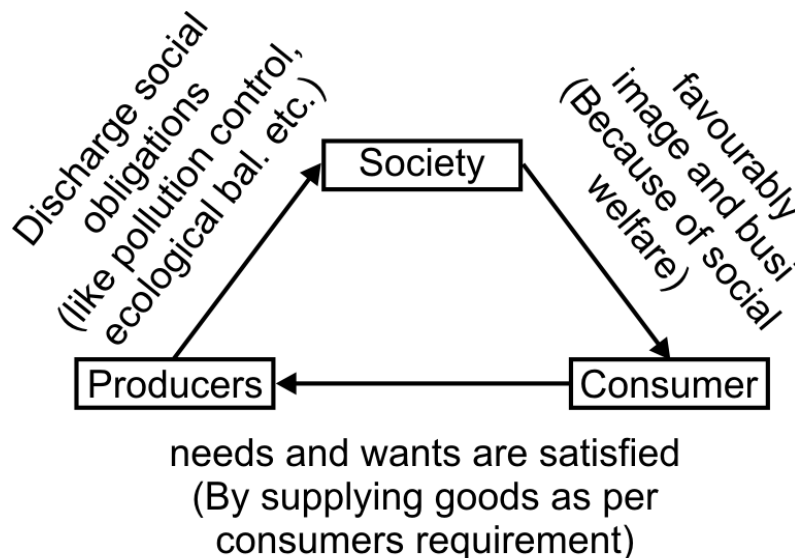
For this purpose the firm needs to consider four major aspects (i.e. Target market customers needs, Integrated marketing and profitability) of marketing and then executive them for the purpose of successful implementation of marketing concept.

6) The societal concept:-

This is recently developed concept (i.e. after 1980’s) and more progressive one concept. This concept supports a new philosophy which replaces consumer orientation by social orientation to marketing. Here marketing is linked with society as a whole. In other words while doing marketing of a product the society’s interest is to be protected. The interest of society should be kept in mind while trying to satisfy the consumers. The society should get benefit in the form of social well-being, social good or social welfare or protection of social interest.

The organisation who support this concepts, should work in balanced way by giving justice to the company’s profit, consumers satisfaction and public or society’s interest. They are expected to produce goods that not only satisfy the consumers but are also environmental friendly. It helps the company to build a caring image, enhance its reputation and build long – term relationship with the people.

Thus marketing organisation, while framing marketing policies, should give equal weightage to three parties, namely, consumer, company and society. It is represented in the following way.



Societal concept

1.6 ROLE OF MARKETING MANAGERS IN CHANGING MARKETING ENVIRONMENT

Marketing activity of a business is the base of its success. So marketing manager must be very much cautious about each and every aspects of marketing and accordingly need to modify, change and adopt marketing activity, so that he can do well in existing condition. In fact marketing manager is basically responsible to earn more revenue through successful accomplishment of marketing objectives. Therefore he must have doctrine over marketing environment, with which he can (meet) (solve) internal challenges and at the same time he can avoid socially undesirable external consequences. The marketing manager must be aware of the inter-relationship of the firm and the system and an appreciation of forces operating in both directions. The marketing environment may create new opportunities along with new threats. So the marketing managers challenges are to study and understand the complex human behaviour and adjust his marketing activities accordingly. Following are some of the challenges faced by marketing managers, which are arisen in changing marketing environment. It includes.

1) Product planning and development

The marketing manager is very much associated with product planning and development.

Product planning means devising products for the markets. It must satisfy the needs and expectations of consumers.

Product development means introducing modifications to the existing product and bringing it into new form in the market.

Now a days, in a tough competition, the product have very small life, products need to have changes periodically. So marketing manager's responsibility to keep this in mind and according he has to act then only he can survive well in the market.

2) Processing knowledge of marketing environment

Marketing environment is dynamic in nature. It plays a crucial role in securing balance between consumers and the firm using marketing techniques. Here marketing manager should see or visualize that where the environment is heading, what new trends are coming up and in what way it should be responded. This can be done by only knowledgeable marketing manager and justify the situation.

3) Development marketing policy

Marketing manger needs to develop his marketing policies. While developing, he should see the frame work of organisational philosophy. Here based on his rich

experiences, he can contribute in formulating a progressive, forward-looking, and result-oriented marketing policy in the light of changing marketing environment.

4) Optimum utilization of resources

To attain the organisational objectives marketing manager need to handle and mobilize all types of resources in tune of organisational requirements. Then the resources may be manpower (personnel) time, finance, machinery or other physical assets. If he is able to find out the exact use of each of resource and without any surpluses or shortages of resource he deploy it and utilise upto maximum limit of it, is called proper utilization of resources.

5) To follows government legislations

The marketing manager must be competent to operate the business within the limits prescribed by various laws. This will help the business to earn good will respect and will avoid, undesirable circumstances, controversy and penalty. The ethical business activities will be carried out by the business. For this managers needs to well conversant with existing rules, laws etc.

6) Diversified rules

Marketing manager's role is not restricted to selling and marketing area of the business. He has to deal and maintain vital link between different parties like customers, distributors, retailers, other firm and at society. Here he has to play different different roles in different capacities so that he can enhance business activity well and maintained relation with each of them very co-cordially.

7) To adopt improved technology

Technology is not a static element of business, Often one or the other way there is change in technological environment. This is sometimes directly or indirectly affecting to the business. Here marketing mangers responsibility is to see such type of changes are taking place and accordingly on the basis of business requirement need to adopt, If he is able to do so, then only he can stand as a successful manager.

8) Recognising changes in environment

Business can't survive in its isolation. It needs support from all aspect of its surroundings. It includes natural, political, social, economical, cultural and demographical environment. At the time of managing organisation effectively marketing manager should take note of the changes taking place and according re-conceal or re-adjust resources, so that he can do well. Doing such type of changes is very crucial job.

1.7 SUMMERY

As per traditional concept of marketing it includes only selling of production. But the modern concept of marketing includes all the functions from identifying the consumers' needs upto providing after sales services.

The main features of Marketing are: It is a process, it is consumers oriented, it is both arts and science, marketing leads to transfer of ownership, combination of 4 Ps, it is a dynamic concept.

Marketing is an important component of business as it satisfies human wants, generates employment, improves standard of living, creates form, time, place and possession utilities, achieves business objectives, widens markets, facilitates specialisation and division of labour, it brings industrial and economic growth.

Marketing activity includes the areas like Marketing Research, Production planning and development, Pricing, Packaging, Branding and labeling, after sales services, Advertising and publicity etc. All the areas covered by marketing shows the wider scope of marketing.

The concept of marketing has wider socio-economic meaning and significance. There are different concepts of marketing as exchange concept, production concept, product concept, Sales concept, marketing concept, societal concept.

Marketing manager must be very cautious about each and every aspects of marketing as it the base of business success. In the modern era the marketing manager has to the various challenges such as product planning and development, processing knowledge of marketing environment, developing marketing policies, optimum utilization of resources, following government legislations, adopting improved technology, recognising changes in environment etc.

1.8 EXERCISE

1. Define Marketing. Explain the concepts of marketing.
2. Explain the scope of Marketing.
3. What is the importance of Marketing?
4. Discuss the role of marketing managers in changing Marketing Environment.
5. Define the following terms (Within 30 words)
 - a. Exchange concept of marketing
 - b. Production concept of marketing
 - c. Product concept of marketing
 - d. Sales concept of marketing
 - e. Marketing concept
 - f. Societal concept of marketing
6. Write short notes:
 - a. Production concept of marketing
 - b. Sales concept of marketing

- c. Marketing concept
- d. Societal concept of marketing
- e. Changing role of marketing manager
- f. Features of Marketing



MARKETING RESEARCH AND MARKETING INFORMATION SYSTEM

Unit Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Importance of marketing research
- 2.3 Marketing Information System
- 2.4 Marketing opportunity Analysis
- 2.5 Summary
- 2.6 Exercise

2.0 OBJECTIVES

After studying this chapter the student will be able to:

- Define the term Marketing Research
- Explain the importance of marketing research.
- Define the concept MIS
- Understand the significant of MIS.
- Know the meaning of Market Opportunity Analysis.

2.1 INTRODUCTION

Marketing research is a key to the evolution of successful marketing strategies and programmes. It is important tool to study consumers behavior, their life style, and consumption pattern.

Research means detailed, systematic and comprehensive study of the problem. After 1991 following the liberalization, govt. do not take strategy decisions for businesses. Business arena has shifted to broad rooms. Firms don't have answers to one single question that is how to gain and retain competitive advantage? Here MR plays an important role. It facilitates accurate marketing decisions for business and support on the one hand and sale promotion on the other hand. Therefore it is rightly said that MR is the soul of modern marketing management. It is also said the beginning and end of marketing management is marketing research.

2.1.1 Definition

According to Philip Kotlar "Marketing research is the systematic problem analysis, model building and fact finding for the purpose of improved decision-marketing and control in the marketing of goods and services".

The American marketing association defines marketing research is "The systematic gathering, recording, and analysis of data about problems relating to the marketing of goods and services".

2.1.2 Nature of Marketing Research

Generally Nature and features are treated one and same. There is slight different that nature is broad concept where as feature is narrow / specific concept. Here both are considered under the title of nature.

1) Marketing Research Studies Markets

Marketing research plays very important role in today's competitive and consumer oriented marketing. It makes complete and comprehensive study of markets, products and consumers. It makes marketing activities attractive and agreeable to Consumers by adjusting marketing activities as per the needs and requirements of the consumers.

2) More supply and less demand

MR plays vital role in this situation. When supply of goods are more in the market then very competitive situation has arisen in the market. So in order to survive and prosper under such conditions manufactures has to pay attention to collect information through marketing research.

3) Systematic and continuous process

Process means undertaking no. of activities to perform a major activity. MR is systematic and continuous process to perform marketing as a major single activity. As marketing problems develops frequently in the course of marketing of goods and services. One type of research is not adequate to resolve all problems. So as when a new problem has arise, the marketing research is to be undertaken.

4) Wide coverage

MR is concerned with all aspects of marketing of goods and services. The area covered by MR includes product planning, pricing decisions, packaging introduction of suitable strategy or study of consumers' preferences etc.

5) It is useful to company and consumer

MR studies the problems of marketing and gives solutions; it results in giving good quality products at reasonable price, as per customers' needs and requirements. Because of MR business unit can strengthen its competitive ability, easily formulates marketing consumer-oriented policies and raises the profit and turnover of the company.

6) Tool for managerial decisions

MR is an aid to decision making. It identifies and analyses marketing problems and finds out solutions to them. It increases the probability of taking accurate and timely decisions and thereby helps to make the most of the available opportunities.

7) Facilitator and not guarantor

MR acts as a facilitator and not a guarantor for accurate decision-making. MR predicts or forecasts on the basis of collected data and interpretation of the data. As the future is uncertain it is impossible to accurately predict.

2.2 IMPORTANCE OF MARKETING RESEARCH

Marketing environment is flexible and to survive in such a flexible environment MR is important. Besides these there are some points which suggest the importance of MR. They are as under

1) To identify the consumer needs

MR is important to identify the consumer needs. It is very essential before introducing a new product in the market. Without knowing the product's trends in the market, if a product is introduced, then there wouldn't be a proper response to the product. The product may fail. Therefore identification of consumers' needs is important which can be done properly by MR only.

2) To face competition effectively

Through MR, a marketer or manufacturer is able to study the strengths and weaknesses of the competitors. This may help the marketer to finalise his organizational strategies to compete well in the market. So he can face competition effectively.

3) To fix selling price

While doing good marketing, selling price plays a very important role. It is very sensible. One element of marketing. With a minor change in price may lead to a greater

change in sales volume. Therefore every marketer needs to be cautious on selling marketing price. It should be very fairly charged to product. In a competitive market MR helps to the marketer to fix price in suitable way.

4) To sell at the right places

The object of marketing is to sell the product at the right place to attain its target sell. Selling the products at the place where it has good demand is the crux of the marketing. Here MR help to the marketer to find out potential demand for the product and place for it.

5) To select the right promotion mix and channels of distribution

For the purpose of pushing up the sale of the product, a company needs to make use of promotional measures such as advertising, publicity, sales promotion tools etc. Here MR helps to find out effective promotional tools.

To supply goods properly and adequately that too on time to the consumers in the market is very difficult task. For that a very effective and efficient distribution chain is must. Marketing research helps to study the available distribution chain and find out the channels that are best suited to meet markets requirements or opportunities.

2.3 MARKETING INFORMATION SYSTEM

2.3.1 INTRODUCTION:

The information collected through marketing intelligence and marketing research helps to develop an information base in the organization. It is called marketing information system. Marketing information system includes all facts, estimates, opinions and other data used in the marketing decision marketing. It is important to know that the information system varies in the organization depending on the needs of the decision maker at the particular hierarchical level.

It is said that information is the glue that holds organization together. Updated information provides good decision-making system to the businesses. Therefore every organization use to collect lot of information regularly from within the organization and also from external sources i.e. from outside the organization, which is useful for planning and controlling of marketing activities.

Information system is now essential not only in business but also in all aspects of our life. It is the soul of accurate and quick decision making. It is stated that no modern economy or society could function effectively, if the information system at its disposal does not provide accurate and timely data". It became the key resource in all aspects of life.

In short we can conclude that marketing information system provides a set of procedures and methods for regular planned and systematic gathering, analysis, storage and retrieval and data to the organization.

2.3.2 DEFINITIONS:

According to Philip Kotlar “Marketing information system (MIS) consists of people, equipment and procedures to gather, sort analyses evaluate and distribute needed timely and accurate information to marketing decision makers.”

As per William Stanton³ opinion “Marketing information system is an ongoing, organized procedure to generate, analyse, disseminate, store and retrieve information for use in making marketing decisions.”

2.3.3 CHARACTERISTICS / FEATURES / NATURE OF MIS:

Characteristics features means, the study and different or various aspects of a particular term, or kneading what it would be or what not it would be. It also includes functions, need and importance or its operations or any other distinct area / part of the term, with which one can understand that term in dept and detail. Following are the characteristics of the MIS:

1) It is Continuous process

Marketing information system is purposeful activity. It is developed for the flow of information to the company. Regular flow of information is important for getting feedback for better marketing decisions. Here MIS is being continuous in nature, It serves the purpose.

2) It operates with speed and accuracy

Now a days information is collected with the help of new developed technologies such as computers, internet etc. There are fastest and accurate means of information used by business. Therefore the purpose of MIS is served.

3) It involves people, procedures and plans

For the purpose of collecting information business use to take the help of both systems that is internal and external information system. In this system peoples, equipments are involved, certain procedure is followed. So, it becomes the part and parcel of MIS.

4) MIS is scientific in nature

The information collected through MIS is from reliable sources. It is critically analysed evaluated and interpreted. So it is very accurate, genuine (original) for the purpose of making marketing decision.

5) Needs Co-operation of different departments and executives

MIS is not a single hand activity. It needs the support from different functional departments, executives and specialists. If they provide well, on time information then only MIS will work and develop well.

6) Operates in systematic manners

In a process of collecting information, various types of information is gathered. It is necessary to classify it, analyse it and store it as per its needs and requirement. Here in MIS this entire systematicness is followed.

7) Component of MIS

The MIS can be designed with the involvement of the following elements.

- Internal company records.
- Marketing intelligence system.
- Marketing research etc.

2.3.4 NEED AND IMPORTANCE OF MIS

The following points suggest the need for efficient marketing information system while making decisions in marketing.

1) Correct decision making

MIS is needed for correct decision making by marketing manager. At the time of taking any marketing decisions if correct, reliable and quick information is not available or supplied to the manager, then it would not be possible for him to take correct, suitable or profitable decision. This work of supplying correct and timely information is carried out by the MIS. That is why it is important.

2) Growing consumer expectations and consumerism

In the modern marketing consumers are more conscious as well as cautious about the product they consume. Their expectations are always keep on increasing; even their consumption habits are changed. So to cope up with, marketing managers needs to have latest information which will be met by the MIS. Simultaneously there is growing consumerism. Peoples are not passive. They don't want to have any exploitation by the marketer. They are ready to agitate immediately, which not good on the part of any progressive and developing marketing firm. Therefore marketing managers needs to avoid. There by acquiring latest information through MIS.

3) Growing Market Competition

Marketing is now highly competitive. It may be because of price, quality or sales promotion techniques. Marketing manager need to update information about these factors in market and accordingly reconcile or readjust the resources to stabilise there in the market. This can be done only with the help of MIS as it is a source of giving information of market.

4) Need of promptness in decision making

In today's aggressive marketing system, quick and correct marketing decisions are necessary. A marketing manager can have feedback of information working at home, office or on laptop computer or phone. He can analyse the information, draw conclusions and communicates decision through, electronic communications. For this information feedback is essential updated and reliable information is must which will be supplied by MIS.

5) **Complex nature of marketing system**

Due to the tough competition in the market, the marketing system has become very complicated. Simultaneously growth of consumerism and increased government control need long term planning for facing the current as well as future problems. For this purpose the accurate data and information is required which will be made available through MIS only.

6) **Information explosion**

At present these are many new techniques of information collection and dissemination. A firm may not require all information available from different sources. It is necessary to find out precise information Needs by an organization and the sources which can supply such information and according organized the MIS.

7) **Provides information on business environment:-**

Business activities are to be adjusted as per the changes in the business environment. MIS provides information about changes in the environmental factors and enables managers to take appropriate decisions to adjust business activities. This is role of MIS.

CHECK YOUR PROGRESS:

1. "It is rightly said that Marketing Research is the soul of modern marketing management". Discuss.
2. Define the following terms:
 - a. Marketing research
 - b. Marketing Information system
 - c. Component of MIS

2.4 MARKET OPPORTUNITY ANALYSIS

2.4.1 INTRODUCTON:

General marketing opportunities are originated outside the organization. They are in a passing phase. They are always temporary in nature. For the good marketing it is the marketer's responsibility to locate, develop and make profit from those opportunities. Marketing opportunities makes available, certain premises of buyers need and interest which a firm can profitably satisfy.

Generally Marketing opportunities are identified by the following ways.

i) Some items/products are **short in supply**. As the need is known no advanced marketing skill is required to sell them.

ii) There are some products are already existing in the market. The challenge is how to market it in a superior way i.e. marketing can be done through **problem-**

defection method. This can be executed by asking certain question to consumers regarding, quality, package, size etc.

iii) Opportunities are always noted through **consumption Chain Method.** Here consumers are asked to outline their steps in acquiring, using and disposing of product and according the product will produce and marketed. Generally this technique gives birth to new product development.

2.4.2 DEFINITION :

“Application of forecasting techniques to the market factors that may influence on the demand for a product identified as a market opportunity”.

2.4.3 FORMS OF OPPORTUNITIES :

Opportunities are always exist outside business. Therefore as and when there is change in external procured environment if marketer do identified and grab them, only he could be succeeded in the market.

Generally opportunities can be found in the following forms:

1. **Use of new techniques to locate product** at the most competitive prices. Here marketer must know that people are checking the price list on internet and then they go for purchase so use it for the same.
2. **Delivery at much faster speed.** A company must have to provide prompt services of product at the time of delivery; otherwise consumer may change their attitude or consumption behaviour.
3. **Creating something new** in the product its self generates new opportunity.
4. The marketing opportunity can be generated **by producing goods with improved technology.** As it help to reduce the cost of production. So it will be sold at lowest price in the market.
5. The opportunity can be generated in the form of **more information advice to the people** like by developing websites on internet.

In short we can say Marketing Opportunity Analyses is a technique used to evaluate opportunities indicating probability of success. Same opportunities may look good, attractive but they may not succeed as a good business proposition. Whereas some opportunities may be dull but they turn out to be of great success. Here manager’s responsibility is to locate such opportunities and grab it for better progress of the unit.

2.5 SUMMERY

Marketing research is a key to the evolution of successful marketing strategies and programmes. Research means detailed, systematic and comprehensive study of the problem.

The main features are of marketing research are: It makes complete and comprehensive study of markets, products and consumers, Systematic and continuous process, it is concerned with all aspects of marketing of goods and services, It is useful to company and consumer, it is an aid to decision making, it acts as a facilitators and not a guarantor for accurate decision-making.

Marketing Research is important to identify the consumer needs, face competition effectively, fix selling price, sell at the right places, select the right promotion mix and channels of distribution, supply goods properly and adequately.

Marketing information system includes all facts, estimates, opinions and other data used in the marketing decision marketing.

The main characteristics MIS are: Marketing information system is purposeful activity, It operates with speed and accuracy, it involves people, procedures and plans, it is scientific in nature, it needs Co-operation of different departments and executives, internal company records, marketing intelligence system, marketing research etc are the components of MIS.

The need for efficient marketing information system is due to some reasons like: growing consumer expectations and consumerism, growing Market Competition, need of promptness in decision making, complex nature of marketing system, information explosion etc.

For the good marketing it is the marketer's responsibility to locate, develop and make profit from General marketing opportunities. Opportunities are always exist outside business. Generally opportunities can be found in the forms like: use of new techniques to locate product at the most competitive prices, delivery at much faster speed, creating something new in the product, producing goods with improved technology, availability of more information advice to the people etc.

2.6 EXERCISE

1. Explain the nature of Marketing Research.
2. "To survive in the flexible marketing environment Marketing Research is important."
3. Write short notes:
 - a. Nature of MIS
 - b. Importance of MIS
 - c. Market Opportunity Analysis



CONSUMER BEHAVIOUR

Unit Structure

- 3.0 Objective
- 3.1 Introduction
- 3.2 Consumers Behaviour
- 3.3 Factors influencing consumer behaviour
- 3.4 Consumer's buying decisions process
- 3.5 Summary
- 3.6 Exercise

3.0 OBJECTIVE

After studying the unit the students will be able to:

- Understand human actions and reactions in the best possible manner at the time of purchase.
- Define Consumers Behaviour.
- Explain the main features of Consumers Behaviour.
- Discuss the factors influencing on a customer to buy a product or service
- Know the tools to study consumer decision making.

3.1 INTRODUCTION

Consumers around the world vary tremendously in age, income, education level, and tastes. These diverse consumers buy an incredible variety of goods and services with other elements of the world around them impacting their choices among various products, services. In marketing consumer is the most significant element / participant. His likes, dislikes, attitudes, behaviour, needs and reactions play an important role in regards to marketing plans and policies of the companies. So consumer psychology needs special attention in the today's highly competitive and consumer oriented marketing system.

Consumer is the cause and purpose of all production and marketing activities. He is the centre of all marketing activities as well as for satisfying his needs. Modern marketing is consumer oriented and not profit oriented. Naturally, consumer behaviour, his motives behind purchasing goods and services and his psychology should be given due attention by the marketers. This is necessary for the expansion of marketing activities. Consumer behaviour is normally flexible and uncertain as it is based on various economical, social, and cultural considerations. There fore marketer before developing their marketing plans, need to study consumer, buying behaviour.

3.2 CONSUMERS BEHAVIOUR

3.2.1 MEANING AND DEFINITION

The aim of marketing is to satisfy the needs of the consumers. The study of consumer behaviour helps to the firms to improve their marketing strategy. And understanding consumer behaviour is a difficult task. Consumer behaviour refers to the knowledge of the consumer, his buying motives and habits, which are the basic necessity for a marketer to understand. The marketer those who do not understand their consumer behaviour offer lose out in the market. There fore every marketer tries to understand consumer behaviour.

“Consumer behaviour means the way, in which customer act and the process involved in making a purchase decision. It involves the use and disposal of products as well as the study of how they are purchased. Such behaviour occurs either for the individuals or in the context of a group, for e.g. a friend influences by the cloths a person wear in an organization”.

In short we can define the term consumer behaviour in the following manner.

1. “The study of individuals, groups or organisation and the processes they use to select, secure, use and dispose of products services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society.”
2. “All psychological, social and physical behaviour of potential customer as they become aware of evaluate, purchase, consume and tell others about the products and services”

These two definitions give us the following features of the consumer behaviour.

3.2.2 FEATURES OF CONSUMERS BEHAVIOUR :

1. Consumer behaviour involves individual aspects as well as social aspects.
2. Consumer behaviour is the result of interaction of consumer with the environmental forces.
3. Consumer behaviour is the net result of various external / internal environmental factors which are mainly social and psychological in character.
4. Consumer behaviour includes behaviour of buyers of consumer goods, consumer durables, and industrial products. Organisational buying behaviour also comes within the scope of consumer behaviour.
5. Consumer behaviour reflected through satisfaction or dissatisfaction on the part of consumer after actual purchase of product.
6. Consumer buying behaviour is a challenge and an opportunity to a marketer. Large scale marketing is possible only when consumer behaviour is anticipated accurately.
7. Consumer behaviour is always uncertain.
8. Consumer behaviour gives answers to all questions like why, what and how consumers purchase goods and services.

3.3 FACTORS INFLUENCING CONSUMER BEHAVIOUR

Generally, consumer behaviours are determined by the various environmental factors such as –

- I. **Social –cultural factors** – (It includes family back-ground, social class, cultural back-ground)
- II. **Economical factors** (Income, purchasing power, capacity of spent and save)
- III. **Physiological factors** (Age, occupation, lifestyle, personality etc)
- IV. **Psychological factors** (motivation, perception, beliefs and attitudes etc)

These factors are explained as under:

Actually the inputs for consumer behaviour are in the form of purchasing power, marketing mix and other intra-personal influences. These inputs are processed well in the customer's mind then the output becomes available in form of feeling and preferences to certain products. Purchase decision is the final result of buyers' behaviour. Then too, how these factors works and consumer purchases. The products

will be better understood with the explanation of following factors influences on consumer behaviour.

1. SOCIO –CULTURAL FACTORS:

Social factors means those factors which are related to an individual's social class like family, reference group, social role and status etc. Practically all buyers' behaviour is influenced by other people that are members of the family, friends, etc. Social influences act in two directions, first they provide information and second the standards of behavior against which alternative buying behaviors are measured. Even social status and location affect the buyer considerably.

Cultural factor means values, beliefs, faith and traditions accepted willingly by buyers or specific class of buyers. It is social heritage. It relates to social values, attitudes towards work, beliefs, moral, language and so on. These are so pervasive that they are hard to identify and analyze. These act as basis for market segmentation, product development and advertising. As cultural factors exert deepest influence on consumer behavior, marketer, needs to be aware of all these cultural influences on buyer behavior and adjust his marketing activities.

2. ECONOMICAL FACTOR:

Economical factor consisting of income size of the family, propensity to consume and save, consumer credit. These factors affect consumer buying behavior for e.g. a rich person may not be very conscious / alert about the price and can purchase high priced product, whereas a person belongs to low income will be very sensitive about the price and can purchase low priced product. Here consumers' behavior is affected due to High or Low purchasing power.

The economic factor like a family size or disposable personal income or propensity to consume and save are also compelling buyer to change their style of purchase for e.g. the small family where every member is earning will have higher disposable income and vice-versa or the people who save for future and have less consumption and wanted to have balance between consumption and saving also spend less. All these behaviors of the people are directing the marketer to design his marketing policy with the consideration of their economic aspects.

3. PHYSIOLOGICAL FACTORS:

These factors refer to age, occupation, life style, income, personality etc. These are personal distinctiveness for e.g. the young people may have different behavior compare to elder people in terms of style, colour, quality of products etc.

Occupation also influence buyer's behavior for e.g. doctors, company executives or others professional can spend much of their income on luxurious product whereas clerks or workers may not pay attention on luxurious products because of their occupations. Life style and personality affects buyer's behaviors. Life style means the

way of a person he lives. If person consumes product like high quality cloth, perfumes, watches etc. it conveys his life styles. Here marketer by identifying life style, design marketing strategy.

Personality is the distinctive quality of a person. It is seen in terms of self confidence, intelligence, adaptability, independence etc. Personality is important variable affecting choice of brands.

4. PSYCHOLOGICAL FACTORS:

Psychological factors are important to understand the buying decision of consumer. Psychological factor are nothing but a scientific study of human mind and his function. This study helps the marketer to know the consumers behavior. Generally psychological factor includes motivation, perception, learning, belief and attitudes.

Motivation is inner-drive to fulfill the needs. What motivates a consumer is relative concept. The same factors of motivation may not motivate a consumer throughout his life. That is why Abraham Maslow has identified a hierarchy of needs and explains why people are driven by particular needs at particular time.

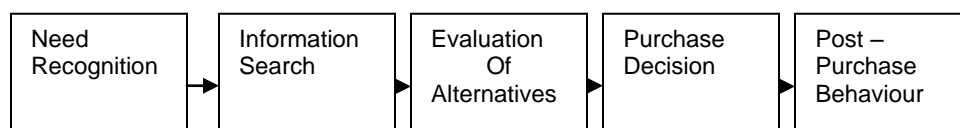
Perception is another psychological factors that consumer forms about certain situation e.g. two people may differently view the same situation because of different perception. Perception is the process of selecting, organising and interpreting information inputs for creating meaningful picture. If perception is positive then people can take purchasing decision. Therefore marketer need to develop positive perception towards the brands.

Learning is knowledge acquiring by studies. Learning plays an important role in the buying decision process. It brings about changes in behaviour resulting from observation and experience. It helps in knowing, the brand name, its features, uses and so on. It enables the consumer to make an informed choice.

Beliefs are the firm opinions about something. It is based on knowledge or faith. It influences buying behaviour. A consumer's belief about the products influences his buying decisions. Marketers are interested in knowing the beliefs that people have about their products and services. Steps are taken to correct or wrong beliefs, if any

3.4 CONSUMER'S BUYING DECISIONS PROCESS

Consumers buying decisions process is lengthy and involves many steps. It is the process by which consumers decide whether a product will meet a need well enough to warrant purchasing and using it, decides where and how to make purchase and determine satisfaction with the purchase. Generally it involves five steps:



Step – 1 Step – 2 Step - 3 Step – 4 Step - 5

In actual practice, this buying process exists in regular product purchase of the customer. However customer will follow all five stages while purchasing costly, durable and personal items. This suggests that the consumer involvement in purchasing activity decides the time and stage in the buying process. Naturally the decision making process differs across products group. Here marketer's job is to understand the buyer's behaviour at each stage and finally find out the influences that are operating on his behaviour. He has to focus on entire buyer behaviour process and not only the purchase decision. This facilitates the large scale selling with satisfaction to consumer.

The consumer decision process is influenced by psychological, socio-cultural, situational factors as well as marketing mixes of marketing firm and its competitors. It means consumer takes the final decision of purchasing particular products in the market through proper process which is as under:

1. NEED RECOGNITION:

Need recognition means consumer should recognise a problem or need. Buying process starts when person begins to feel that a certain desire has arisen and it has to be satisfied through purchasing a new product. If he has taken decision to purchase a product in order to satisfy a need which is genuine he has clearly recognise a problem or need to purchase. The need can be arisen due to internal or external stimuli. If it has arisen due to internal stimuli then the buying decision will be quick and if it is arisen due to external or dissatisfaction of existing product, the buying decision will be time consuming of lengthy one.

2. INFORMATION SEARCH:

After a desire for purchasing a product is created in the mind of the consumer he tries to search for more information. He collects information from various sources such as friends, relatives, opinion leaders', neighbors etc. By collecting information, the consumer gets exposure to competing brands and their features. This facilitates correct decision making on the product to be purchased. Here consumer is activity engaged in search for alternatives and uses media and other social channels for collection of relevant information in buying decision. It makes the customer aware of the existence of alternative product that could solve his problem.

3. EVALUATION OF ALTERNATIVES:-

In this stage consumer uses collected information to evaluate alternative products, brands in the choice set. The consumer studies the pros and cons of the alternatives identified. He finds out the most suitable product to meet his needs as it is a critical stage in buying process specifically in case of costly durable products. He considers several elements for the purpose of good evaluation by considering product

attributes and brand image. He develops faith and positive feeling towards a specific product and finds the best option available.

4. PURCHASE DECISIONS:

Here, after evaluating the various brands. The consumer may form a purchase intention, to buy the brand. It is based on two factors. First, attitudes of the reference group towards the products and second, unexpected situational factors to change the purchase intention like, losing job by consumer, sickness in the family etc. which may compel the consumer to either modify, postpone or to shun the purchase decision in extreme situation.

5. POST – PURCHASE BEHAVIOUR:

Post – purchase behaviour means finding out the level of satisfaction and dissatisfaction, experienced by the consumers. It can be judged by comparing consumer expectation and product performance. If the product performance falls short of expectations, the consumer is dissatisfied. The product performance needs the expectations. The customer is satisfied and if the product performance exceeds the expectations, the customer is delighted.

If customer is satisfied then he goes to re-purchase of product and talks positively about the product. If the customer is dissatisfied then marketer should try to find out reason for the same and try to improve upon it.

3.5 SUMMERY

Consumer behaviour means the way, in which customer act and the process involved in making a purchase decision.

Generally, consumer behavior is influenced by the various environmental factors such as: Social –cultural factors like family back-ground, social class, cultural back-ground etc, Economical factors like income, purchasing power, capacity of spent and save etc, Physiological factors such as age, occupation, lifestyle, personality etc, Psychological factors like motivation, perception, beliefs and attitudes etc.

Consumers buying decisions process is lengthy and involves many steps. These steps are: Need recognition, Information search, Evaluation of alternatives, Purchase decision and Post purchase behavior.

3.6 EXERCISE

1. What is consumer behaviour? Explain the features of consumer behaviour.
2. Discuss the factors affecting consumer behaviour.

3. What is consumer buying process? Explain the steps involved in buying process.
4. Define the following terms:
 - a. Consumers behavior
 - b. Socio-cultural factors
 - c. Psychological factors



4

MARKET SEGMENTATION

Unit structure

- 4.0 Objective
- 4.1 Introduction
- 4.2 Meaning and Definition of Market Segmentation
- 4.3 Importance of Market Segmentation
- 4.4 Basis of Market Segmentation
- 4.5 Niche Marketing
- 4.6 Customer Relationship Management
- 4.7 Summary
- 4.8 Exercise

4.0 OBJECTIVE

After studying the unit the students will be able to:

- Understand the meaning and definition of Market Segmentation.
- Explain the features of Market Segmentation.

- Discuss the importance of Market Segmentation.
- Know the basics of Market Segmentation.
- Understand the concept Niche marketing.

4.1 INTRODUCTION

Now a day companies have recognised that they cannot appeal to all buyers in the marketplace as the buyers are too numerous, too widely scattered, and too varied in their needs and buying practices. There fore every company will try to compete in entire market, sometimes to specific competitor, by identifying that parts of the market which can be serve best and most profitable.

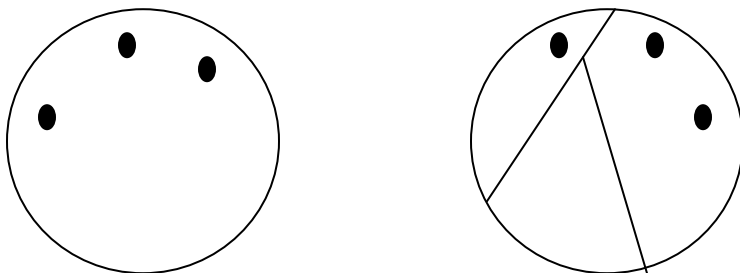
Market segmentation concept is very closely connected with the concept of marketing mix. For effective tapping of the part of market, it is desirable to divide total market for a product into smaller units, each having homogeneous characteristics. Such bifurcation of market creates proper base for using the marketing mix in purposeful manner. Market segmentation facilitates suitable adjustment of 4 P's for good sales promotion. Market segmentation is also supported by two other concepts namely Targeting and Positioning, which constitute the core of modern marketing strategy.

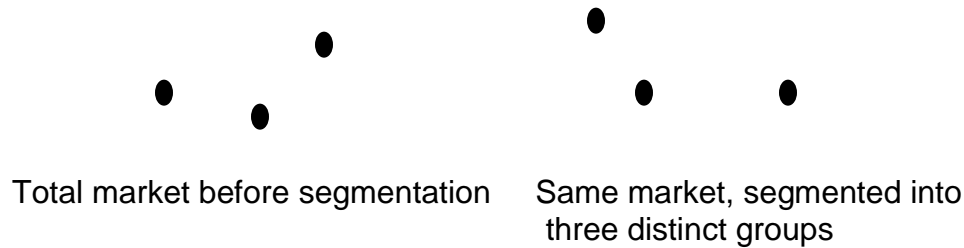
Therefore, most of the companies are being choosy about the customer, and wish to build relationship by selecting one or more of them and developing products and marketing programmes tailored to each. In short firms are focusing on the buyers who have greater interest in the values they create best.

4.2 MEANING AND DEFINITION OF MARKET SEGMENTATION

4.2.1 MEANING AND DEFINITION

Market segmentation means dividing the total market for a product into different segments on certain bases and exploiting each segment fully for the purpose of marketing and sales promotion. Because of segmentation, each segment will have uniform features and suitable marketing mixes can be introduced for promoting sales in each segment. In brief, segmentation is the process of dividing a heterogeneous market into homogeneous sub-units for effective marketing. Philip Kotlar has rightly pointed out that markets consist of buyers and buyers differ in one or more respected. They may differ in the wants, resources, geographical locations, buying attitudes, and buying practices. Any of these variables can be used to segment a market. This can be made clear with the help of following figures. Suppose they are six buyers in the market with different characteristics.





(Fig: 1)

(Fig: 2)

With the help of two diagrams, we can understand that the individual buyers within each segment are similar in regard to their wants, expectations, and buying power and marketing programme will be drawn for each group in order to enhance consumer satisfaction and sales promotion. This approach of market segmentation is better as compared to the approach of treating the entire market for a product as one entity and use only one marketing mix for the market. In short market segmentation reveals that it is a customer oriented philosophy and is consistent with modern marketing concept.

1. **According to Philip Kotlar.** “The act of dividing a market into distinct group of buyers who might require separate products and/ or marketing mixes.”
2. **According to William J. Stanton.** “Market segmentation is the process of dividing. The total heterogeneous market for a goods or service into several segments, each of which tends to be homogeneous in all significant aspects.”

4.2.2 NATURE / FEATURES OF MARKET SEGMENTATION

Following are the main features of Market segmentation:

i) Heterogeneous Market:

Heterogeneous market means a market having different and diverse characteristics. To carry out market segmentation it is necessary that the market is a heterogeneous one. It means homogeneous markets can not segment.

ii) Involves Market Division:

The whole idea of segmentation is that each group of buyers would share the same qualities, there by providing marketing advantages. So it involves division of market.

iii) Different Bases:

For the purpose of market segmentation, different bases are available. Then it may be demographic, psychographic, physiological, or geographical one. Sometimes more than one base can be used for market segmentation.

iv) Objectives of Segmentation:

The objectives of market segmentation are sales promotions, consumer satisfactions, and achieving marketing objectives / strategies.

v) Continuous Process:

Marketing environment is dynamic in nature so new and better products are constantly introduced in the market. Besides, the needs and expectations of consumers are kept on changing. Therefore it is necessary to a marketer to have change accordingly.

vi) Levels of Market Segmentation:

Market segmentation can be carried out at different levels. Companies can practice no segmentation (Mass marketing) complete segmentation (Micro marketing) or something in between (Niche marketing)

vii) Time Consuming:

Market segmentation is time consuming activity. It requires lost of time to understand the customer, and market. After thorough idea of market and customer, marketer has to draw inference about the market and its approachability, feasibility, substantiality and so on.

viii) Facilitates efficient use of Resources:

Market segmentation facilitates efficient use of available resources. It enables a marketing firm to use its marketing resources in the most efficient manner in selected target market.

4.3 IMPORTANCE OF MARKET SEGMENTATION

In to-days competitive world, market segmentation plays very important role and support to the marketing firm to survive and prosper in the target market. This will be made more clear with the help of the following points.

i) Better Marketing Performance

The total market is very vast and also heterogeneous. Here market segmentation helps a firm to compete in a highly competitive market. It is needed in order to concentrate attention on specific target market and also to achieve better result in terms of turnover, profit, and customer satisfaction. In addition to this, it is necessary to overcome the threat from serve competition, in the market, for that also segmentation helps a lot.

ii) Appropriate Adjustment of Marketing Mix

Market segmentation is needed in order to adjust marketing mix as per the needs and requirements of specific group of consumers. Advertising and marketing appeals can be made affectively through market segmentation.

iii) Introduction of Appropriate distribution Strategy

Market segmentation is required for divide and conquers strategy. It helps in designing distribution strategy and introduces different distribution mixes as per need of each segment. For example, high priced quality products targeted at upper class may require exclusive showrooms or dealerships.

iii) Brings About Progress and Awareness

Market segmentation not only enables the manufacture to develop a suitable product for the consumers of a segment but also helps bring about a level of progress and general awareness. For example in India Bisleri followed by others entered the packaged water industry. Thereby bringing in a positive development and also creating public awareness about the need for pure drinking water.

iv) Achieving Marketing Objectives

Market segment enables a company to identify its target market and develop market strategy to suit requirements of the target market. This helps in achieving its marketing objectives which, will be introducing a new product, increase in sales, goodwill etc.

v) Suitable Designing of Products

Market segmentation is needed to produce and supply goods to each segment exactly as per the needs and expectations of customers of each market segment. Companies produce goods with suitable modifications to meet the needs of different segments.

vi) Appropriate Price Fixation

Market segmentation process involves research that enables the company to understand the profile of the consumer such as their incomes, buying habits, buying motives etc. This helps in fixing the right price of the products.

vii) Better Service to Consumers

Market segmentation is needed as it acts as a base of present customer oriented marketing philosophy. It is needed in order to select and concentrate marketing efforts on a specific target market. As a result, customers of that market segment get better services from the special marketing programmes of the company.

viii) Timing of Marketing Efforts

Market segmentation provides information regarding suitable timing for advertising and sales promotions, measures in different segments. A company can use such information purposefully for sales promotion in different, segments. This gives promising sales to the company on yearly basis

4.4 BASIS OF MARKET SEGMENTATION

There is no single way to segment a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way to view the market structure. There are major variables that might be used in segmenting consumers markets. Like geographic demographic, psychographic and behavioural variables.

Bases of market segmentation

Geographical	Demographic	Socio-Economic	Psychographic	Behavioral
- Local - Regional - National Etc.	- Age - Sex - Income - Education - Language - Occupation - Religion etc.	-Socio class -Cultural background -Upper class -Middle class -Lower class Etc.	- life style - Personality Traits -Social Status Etc.	Occasion -Benefit -User status -User rare etc.

Market Segmentation At A Glance :

1. Geographic Market Segmentation

Geographic market segmentation is related to the geographical area of the market. It divides the market into different geographical units such as nations, states, regions, cities etc. A company may decide to operate in one or few geographical areas or to operate in all areas but could not pay attention to all geographical differences and needs and wants. The assumption for doing this type of segmentation is that consumer needs and responses vary geographically. Here, regional difference in term of topography, climate, population and its density are used as base for market segmentation. This type of segmentation is commonly used for preparation of marketing plans and for the allocation of territories of salesmen or distribution. For example people in South India prefer coffee while those in North India prefer tea. Hence companies prepare separate marketing mix for different region. People staying with in the same region tend to share same values, attitudes, beliefs, and preferences. Again there may be difference between urban people and rural people. For example, people reside in

urban areas are more conscious, exposed to different media and having greater awareness of the products so better quality and novel expensive product can be sold here easily, whereas in rural areas, people's income being limited, they are price conscious, gifts, discounts, and other promotional tools can be very effective.

2. Demographic Segmentation

Demographic segmentation is related to people or people's characteristics such as age composition, gender, education, income, language, family size etc. It is the most popular form of market segmentation. Adequate information regarding the people can be easily made available, by going through consumer reports or other publications. Therefore most of the companies adopt this type of segmentation for example HMT have segmented its market on the basis of sex and manufactured separate watches for male and female. In the same way bicycle manufacturers use this base. Again marketer can segment market on the basis of age considering people belong to 15 years and below or young adults between 18-25 years etc. Family life cycle can be a base as bachelors, newly married, married with children etc. for different purposes (Motor bike or LIC Policy) etc. Education can be a base for some products like newspaper, magazines, computers etc.

Race and religion is also one more important base for segmenting market like Hindus, Muslim, Parsi, etc. Products like garments, meat, alcohol, etc are sold on this basis.

3. Socio – Economic Segmentation

Under this type of segmentation, differences amongst population in terms of income consumption level, castes, communities and other cultural aspects are taken as variable for dividing the consumers in different groups. In India it is necessary as the society is divided into different groups on this factor. Lower class, middle class, working class is one example of economic classification.

4. Psychographic Segmentation

Psychographic segmentation divides buyers into different groups based on social class, life style, or personality characteristics. People in the same demographic group can have very different psychographic make ups.

In the case of psychographic variables, relevant information for segmentation is not readily available and has to be collected through behavioural research. It is

complicated as it is always difficult to expose individuals to a battery of psychographic test and to find out their specific personality traits.

Generally manufacturers of cars, textiles and home furnishings divide their customers on the basis of life style. Here marketing efforts are adjusted according to variables (reading habit of leisure activity, life style)

So far the personality traits are considered, like leadership, self- confidence ambitious, aggressive etc. Marketer positions their products in such way that consumers are tempted to use them in order to enhance their personality.

5. Behavioural Segmentation

Behavioural segmentation divides buyers into groups based on their knowledge, attitude, use or responses to a product. Many marketers believe that behaviour variables are the best starting point for building market segment. Dividing the market into groups according to occasion when buyers get the idea to buy and it is the actual time when they make purchase or use the purchased item. Here while segmenting market consumers will be grouped on user's status like, user, non-user, ex-user, potential users, first time user, regular user etc. and accordingly segment the market. Then it will be segmented on the basis of benefit sought by the consumer on the part of product. For e.g. soap may be purchase by some for economy, some for fragrance, some for medicinal value, fairness or health purpose. The behavior can be of readiness stage of product. Like, purchasing products on the basis of unawares of the products some are aware, some are informed about the product, or some may be interested in buying the product. Any one of readiness stage compel to them to purchase the product and finally the behavioural segmentation will be made on buying motives basis as motives may be convenience, comfort, economy, love and affection and prestige. Here marketer as per the above variables uses to design marketing mix.

4.5 NICHE MARKETING

4.5.1 MEANING

Niche marketing involves marketing the product to a selected segment. It is also called single segment strategy. It helps to the marketers, to select the specific segment mainly because either there is no competition or insignificant one.

A niche is segment within segment just as a segment in market within market. It has small market areas and generally attracts smaller companies. But now a day even large companies concentrating on these market for e. g. Johnson & Johnson consist of 170 units, most of which pursue Niche Market.

Niche marketer may face the problem of different brands entering into his share of business. This can be avoided by targeting multiple niches for e.g. multiple brands of Sunsilk shampoo. Market is divided in smaller niches. Being small size market the niche marketers knows the customer's personality and provides personalised services. These generate continued support of customer in the form of Repeated purchases.

4.5.2 ADVANTAGES OF NICHE MARKETING

1. Niche marker Faces Lesser Risk in marketing
2. It required limited investment
3. Ensures effective brand position
4. Higher profit
5. Marketer can get repeated purchases for his product and Limited competition.

4.5.3 LIMITATION OF NICHE MARKETING

1. It is not useful to large companies.
2. It is not advisable to concentrate on one niche because when competition became stiff then niche marketer may lose market.
3. It is short term marketing strategy and may not run in long term.
4. With competitive war fair niches are becoming smaller and smaller.

CHECK YOUR PROGRSS

1. Market segmentation reveals that it is a customer oriented philosophy” Explain.
2. Enlist the points showing importance market segmentation.
3. Draw the diagram showing Bases of market segmentation.
4. Define the following terms:
 - a. Market segmentation
 - b. Niche marketing
 - c. Geographical market segmentation
 - d. Socio-economic market segmentation
 - e. Behavioural market segmentation

4.6 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

4.6.1 INTRODUCTION

Business organisations are always facing the problem of how to better analyse and use individual consumer data. Now a day it is made easy by the computerisation to collect and retain information about their potential and actual buyers. The information is collected on location of buyers, frequency of purchases, website visits, and credit and payment interaction. Market research findings, impact of personal selling, satisfaction and complaint of the customer etc. Now the problem is this, information is scattered over the organisation. It is kept in separate data bases and records of different departments. In order to win over such a problem the companies are turning towards CRM concepts.

4.6.2 MEANING OF CRM

CRM is a business strategy and it recognises the importance of developing long term relationships with customers. Its main aim is to find out, attract and develop new customers along with existing ones. In other words we can say relationship management refers to long term and mutually beneficial arrangements between the buyer and seller which leads to more satisfying exchanges. CRM is always integrated with Customer Life Cycle Management which consists of three elements:

1. Combining Business process
2. Technology
3. Customer life cycle

Here customers become the focal point to understand the concept of CRM.

4.6.3 DEFINITION OF CRM

Philip Kotler:

“CRM is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction”.

As per Gartner’s opinion:

“CRM is a business strategy designed to optimise profitability, revenue and customer satisfaction.”

4.6.4 LEVELS OF BUILDING CUSTOMER RELATIONSHIP

1. Basic marketing:

Here the marketer is just interested in selling the product. There is no further interaction between the customer and the company.

2. Reactive marketing:

The company after selling the product encourages the customer to call back in order to find his feedback

3. Accountable marketing:

In this case, after the product is sold the company calls on the customer to find out whether they are satisfied with the product. If not, the company considers itself accountable for non performance of the product.

4. Proactive marketing:

Here the company keeps in touch with the customers continuously. They are updated with the new product innovations from time to time.

5. Partnership marketing:

Here the company treats customers as partner. Any new marketing strategy relating to products, pricing, promotion etc is developed after discussing with customers.

4.6.5 NEED AND IMPORTANCE OF CRM

Following points explain the importance of customer relationship management.

i) Management of Information

When customers are well served, they tend to become loyal to the product and services. Here CRM keeps the record of detail information about such customers both for short term as well as long term requirements.

ii) Use of Software

CRM consists of highly developed software and analytical tools that help to collect information from all sources. As CRM provides 360 degree view of the customer relationship by integrating everything that a company's sales, services and sales force etc. All these information is analysed in dept and results are supplied to build strong customer relationship.

iii) Customer Satisfaction

We know that today's markets are the buyers' market numbers of competitive brands are available in the market. Here because of the CRM, marketer is able to retain his customer. As he is able to serve as per their needs and expectation, they may go for repeat purchase of the product.

iv) Periodic Revision of Data

Data are perishable it tends to become out-dated. It is necessary to update the findings about customer. This makes CRM a contumacious process.

v) Achieves Customer Equity

Customer equity means making customer more loyal toward product or services. CRM aims at achieving high customer equity. Customer became more loyal only when they feel that they are given what they are looking. CRM directs the companies towards the precision marketing instead of wasteful mass marketing. This helps to build strong customer relationship.

vi) Easy to introduce new product and Expansion

CRM is the source of creating positive opinion about the company in the minds of the people. So the company who have created positive image can find it easier to introduce new products as well as undertake expansion and diversification activities easily.

vii) Mouth Publicity

Due to the implementation of CRM, customers are satisfied. Such customers are likely to speak positively about the company and its products. This creates goodwill about the company in the minds of potential customer. As a result these people may turn to company's product.

4.6.6 TECHNIQUES OF BUILDING CRM

The best way to run good business and retain the clients is to build strong relationship with customer.

Everyone likes to feel appreciated those who have business relationship. The clients want to feel as if they matter to the business owner as they are part of the reason why the business is still in existence. There are few ways to a business owner to build a strong relationship with their customer as doing so will not only to maintain their client but also possibly to expand.

Following are the different techniques with which businessmen can build good relation with the consumer

1. Balance of score card:

This concept was developed by **David Norton and Robert Kalpan**. As per their opinion the firm needs to assess the performance by linking past experience with the future challenges. The concept of balance of score card can be used to prepare future strategies to improve and maintain relationship with the customer. As per their opinion a firm can create score card based on the following parameters.

- i) Customer's perception of the product, their satisfaction and commitment to the organisation.
- ii) Achievement of financial objectives and if the shareholders are benefited.
- iii) Conducting SWOT analysis on firms performance
- iv) Shaping of the organisation over a period of time
- v) Using knowledge management in the firm.

2. Catalytic Measure:

This is another technique of knowing and maintaining relations with the customer. This is used to expedite change in any area where the firm wants to introduce. The best catalytic measure are those which are appreciated by both customers and the firm for e.g. Giving toll free number and asking customer to lodge their complaints is appreciated by all. For the purpose of implementation of this technique the firm must identify the areas which need a change. These types of measure need to be assessed by the firm at regular interval.

3. Know Clients by Name:

This is one of the best ways adopted by the businessmen to built strong relationship with their clients. Whenever they contact to the customer they use to call them by their names. These creates a different feelings among the people's mind and customer starts believing that the businessmen are knowing me by name and they are very much familiar with the businessmen.

4. Offering Incentives to Regular Customer:

This is also one more technique of building strong relationship with customer. When offers are given from time – to- time to the customer it makes the customer very much pledge and they have the feelings of appreciation for e.g. in case of Restaurant the owner can offer regular client's a free beverage once in while.

5. Offer a Customer Appreciation day once a year:

Any client and customer who spend over a certain amount during that calendar year can be invited to a special sale. Such a sale is not open to the public, only those special customer relationships that have earned significant savings.

6. Offer a Free gift with purchase:

Clients love free things, so the business owner must give promotional gifts to his customers. He must consider sending them a letter opener, coffee mug or a calendar with contact information. In fact, customer relationship can grow by simply giving out a free pad of paper or keychain.

7. Establish Feedback System:

The business owner must establish a feedback system to monitor how his customers perceive the quality and quantity of the product or service he provides. Services are defined by how the customers perceive its value. When it comes to customer service perception is reality.

8. Use the Press:

It always helps to get a little PR if the business owner can come up with a newsworthy angle on his business for instance, his grand opening, he can write a simple press release and send it to local publications.

4.7 SUMMERY

Segmentation is the process of dividing a heterogeneous market into homogeneous sub-units for effective marketing. The main features of market segmentation are: Heterogeneous market, division of market, different bases, continuous Process, different levels, time consuming activity, facilitates efficient use of available resources.

Market segmentation is useful for: Better Marketing Performance, Appropriate Adjustment of Marketing Mix, Introduction of Appropriate distribution Strategy, Progress and Awareness, Achieving Marketing Objectives, Suitable Designing of Products, Appropriate Price Fixation, Better Service to Consumers, Timing of Marketing Efforts.

Various bases are used to segment the market these are: Geographical market segmentation, Demographical market segmentation, Socio-economic market segmentation, Psychographic market segmentation, Behavioural market segmentation etc.

Niche marketing involves marketing the product to a selected segment. It is also called single segment strategy.

CRM is business strategy and it recognises the importance of developing long term relationship with customer. The techniques of building CRM are: Balance of score card, Catalytic measure, Know clients by name, Offering incentives to regular customers, Offering a customer appreciation day once a year, Offer a free gift with purchase, Establish feedback system, Use the press etc.

4.8 EXERCISE

1. What is market segmentation? Explain the features of it.
2. Discuss the importance of market segmentation?
3. What is the basis of market segmentation? Explain with appropriate examples.
4. What do you mean by Niche marketing? Explain its merits & De-merits.
5. Define the following terms:
 - a. CRM

- b. Balance of score card
- c. Catalytic measure
- d. Know clients by name



MARKETING MIX PART I

Unit Structure

- 5.0 Objectives
- 5.1 Introduction and Meaning
- 5.2 Marketing Mix
- 5.3 Product Mix
- 5.4 Product Life Cycle
- 5.5 Branding
- 5.6 Price Mix
- 5.7 Factors affecting Price Mix
- 5.8 Methods of Pricing
- 5.9 Summary
- 5.10 Exercise

5.0 OBJECTIVES

After studying the unit the students will be able to:

- Know the meaning, nature and importance of Marketing mix
- Understand the meaning and components of Product mix.
- Explain the concept product life cycle and its stages.
- Understand the concepts Branding, Brand selection, Brand positioning.
- Understand the factors affecting the price mix.
- Discuss the factors affecting on price.

- Identify the different methods of pricing.

5.1 INTRODUCTION AND MEANING

Marketing mix is one of the most fundamental concepts in marketing management. Therefore, we have to study the various element of marketing mix. The term “Marketing mix” was firstly introduced by Prof. Neil H Borden of Harvard Business School. He expressed that for attracting consumers and for sales promotion every manufacturer has to concentrate on four basic components of marketing mix i.e. product, price, distribution channels, place and promotion. The fair combination of these four is known as marketing mix. It is marketing managers’ tool for achieving marketing objectives. Therefore it is marketing mangers task to develop the most appropriate and creative marketing mix. The marketing mixes are also known as combination of 4P^s. i.e. product, price, place, and promotion. These 4P^s of sellers are corresponding to 4C^s of buyers in the following way.

4P ^s	—————→	4C ^s
Product	—————→	Customer’s problem solution
Price	—————→	Customer’s cast
Place	—————→	Customer’s convenience
Promotion	—————→	Customer’s communication

5.2 MARKETING MIX

5.2.1 DEFINITIONS:

1. **According to Philip Kotlar** “Marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market”.
2. **According to William J. Stanton** “Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company’s marketing system; The product, the price structure, the promotional activities and distribution system”,

5.2.2 NATURE OF MARKETING:

Following are the points with which we can understand the nature/ features of marketing mix.

1. **It is combination of 4 marketing variables**

Marketing mix involves a fine combination of its four variables i.e. product, price, place and promotion. It is creative work and should be combining in such a way it should stand as winning marketing strategy. It should be in accordance with demand situation.

2. Target oriented concept:-

Marketing mix aims at achieving marketing target in terms of sales, profit and consumer satisfaction, marketing mix is the marketing managers instrument for achieving marketing target.

3. Dynamic concept

Marketing mix concept is dynamic in nature. It has constant changes in its components. The components can not fix at one standard or by any one parameter. It becomes necessary in order to adjust and respond to the changes in the environmental factors like political, social technological etc. For example in a recessionary period marketer must have to reduce the price of the product or spent more on promotion so that the business can survive.

4. Customer is the focus points

The main focus of marketing mix is the customer. The marketing mixer is to be made as per customers' satisfaction and support. If the marketing manager is able to do so then he will the successful marketing manager because customers' satisfaction is the core of modern marketing concept.

5. Marketing mix variables are inter-related and interdependent

Marketing mix variables are interlinked to one another. A change in one variable, invariably leads to a change in the other variables for example when a new product introduced in the market, the firm has to spend more on promotion of that product or qualitative product always leads to good prices etc.

6. Wide applicability:-

The concept of marketing mix has wide applicability. In other words it is applicable to business as well as non-business organizations such as clubs and associations, hospitals and educational institutions etc.

5.2.3 IMPORTANCE OF MARKETING MIX:

Marketing mix plays very important roll in marketing to study the nature or various elements of market. It promotes better utilization of limited resources by focusing attention on the need for proper blend of policies, with Limited Components at its disposal. It attempt to gain best possible results. Marketing mix is an effective tool for problem solving it reminds marketer that on one side he should be careful to consider

the market forces and on the other side he should think of a total marketing programmes instead of relying heavenly on one particular aspects of market.

1. Increases Profit

Marketing mix helps the organization to increase the profit by avoiding inappropriate mixes, which are adversely affecting the profit of the organization.

2. Ensures Survival

Every organization's ultimate aim is to survive successfully in the market. For this organisation has to give a Right Product at the Right Price and Place through right medium of promotion. It is possible only with the help of appropriate marketing mix.

3. Optimum Utilization of Resources

Optimum Utilization of resources means using resources at the most of its capacity or taking maximum output from the resources. For this purpose the appropriate marketing mix will guide to the business to produce the product which are profitable and suitable from the view point of customers as well as organizations. This may leads to the effectives utilizations of existing resources.

4. Corporate Image

Every organization tries to build a good image. This is depend on the polices and practices followed by the organization. Charging fair prices to the products and services and selling quality goods, making goods available regularly and providing proper after sale services etc. are some of the elements which are the parts of appropriate marketing mix. This forms of services leads to create good image among the people towards that organization for e.g. Tata fulfills social obligation. A business organization has to fulfill social obligation like giving donation to the charitable institutions, sponsoring cultural events etc. This is possible only when if the company earns goods profit consistently. It is possible only by having an appropriate marketing mix.

5. Customer Satisfaction

An appropriate marketing mix involves offering the product according to consumer requirements, which would inevitably lead to consumer satisfaction. A satisfied consumer is the best brand ambassador of the organization.

5.3 PRODUCT MIX

5.3.1 MEANING:

Product is any article which manufacturer / seller desire to sale in the open market. It is also know as a solution to the problem. For e.g. Pen is a solution to the writing problem or eating food is solution to hungriness of a man. The product has capacity to satisfy human needs and wants having different parameter's of its satisfaction like quality, size, shape, design, quantity, packaging, branding, pricing, etc. The marketer has to spend time for designing the product by considering all, then only it will be the best product and marketer will be able to sell it at sought level. In short we can say product is nothing but it is a bundle of satisfaction that a customer buys. Product is always a combination of tangible and intangible benefits. For e.g. Refrigerator is not just merely steel or plastics, free zone gas, brand name, etc. but also involves factors like after sell service, delivery, installation, dealer's network and services etc. All these aspects constitute the product.

5.3.2 PRODUCT MIX DECISION:

Very few firms may be selling a single product instead they sell many products. This helps a firm diffuse its risks across different product groups. Also it enables the firm to appeal to much larger group of customers or to different needs of the same customer group. So the number of products carried by a firm at a given point of time is called product mix. A product mix consists of various product lines and items.

A company's product mix includes:

I. Product Width

Means the number of different products the organization offers (for e.g. Hindustan Lever Ltd. has soaps, cosmetics, ice-cream, Atta, etc)

II.Product Length

It means the total number of items in each product category. For example HLL's product length is: brands like Lux, Liril, Lifeboy and so on.

III.Product Depth

It means the number of variants of each product in the line, for e.g. Colgate has Colgate total and Colgate gel and these are available with three sizes, it means it has depth of six.

IV.Consistency (product consistency)

It refers to how closely related the various product lines are in end use, production requirements, distribution channels or in some other way.

Product mix dimensions, as explained above, help to define the company's product strategy. A company can add new product line there by widening its product mix. This decision will add to the company's reputation on the existing product lines. A company can also lengthen its existing product lines to become a full line company serving diversified needs of consumers. Product mix decision indicates whether a company wants to have a strong reputation in single field or in several fields.

5.3.3 COMPONENTS OF PRODUCT MIX

The product mix has various sub mixes with which the product mix can be made more effective, and impressive and more saleable one. Such sub variables are as under:

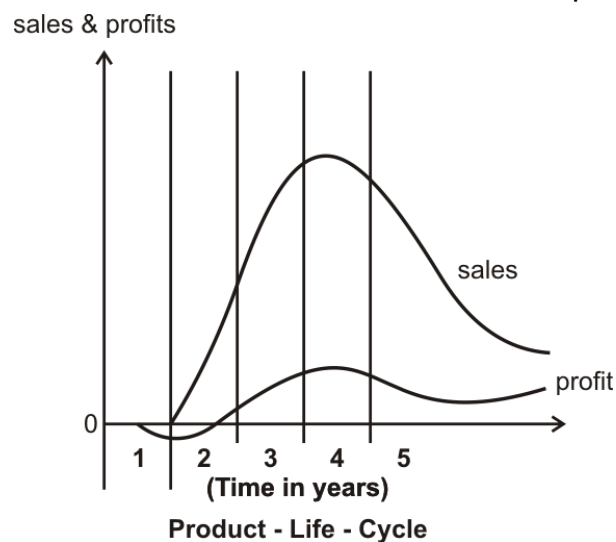
- i) Brand:** It is a name and /or mark intended to identify the product of one seller and differentiate the product from competing products. So it should, be design with through consideration
- ii) Labeling** It is the part of a product that carries information about the product and the seller. As it provides all information of the product, it helps to buyer to take decision. It is always attached with packaging.
- iii) Packaging** It is actual container, covering or wrapper to protect the product. Its intension is to protect product, from external effects on product.
- iv) Product design:** Design refers to the arrangement of element that collectively form a product. It includes usability, aesthetics, reliability, functionality, and appropriateness. So the design should be in such a way that it can easily be used by the consumers.
- v) Product quality** Product quality means the set of characteristics of a product or service that determines its ability to satisfy needs.
- vi) Products colour:-** It is also important in selection or rejection of product.

vii) Warranties: - It is an assurance given by a manufacturer to the buyers that they would be compensated in case the product does not perform up to reasonable expectations.

viii) After sale service:- Some product require after sale services means regular checking is required whether the product is not working properly or servicing of the product or maintenance etc.

5.4 PRODUCT LIFE CYCLE

Every product has its life cycle like a human being. It passes through different stages of its life like introduction, growth, maturity and decline etc. after its launching; this is known as product life cycle. It is another approach to examining product mix by looking at the life cycle phase of each product. As it passes through its stages, it gives effect on products sales and profit. Therefore it is very essential to the firm or marketer to know in which stage the product is, as each stage is characterized by a typical marketing behaviour. This will be made more clear with the help of following diagram.



Following are the stages of Product Life Cycle (PLC):

1) Product Development Stage:

This is first stage of PLC. It begins when the company develops new product idea. The Research and Development department (R & D) develops the product concept into a physical product, hoping that it will satisfy the customer and will excite consumers. Then the product is tested under laboratory to make sure that the product performs safely and effectively. No doubt product being newly developed and given physical form, there is no sale of product and simultaneously the cost on R & D increases. In other words there is no profit or earning in this stage. So there is no marketing strategy.

2) Introduction stage:

The introduction stage begins when a new product is launched for the first time in the market. There is no sale or low-sale of product depends upon the nature of product. Naturally promotional expenses will be substantial in order to make the product popular among the customers. Due to heavy promotional expenses, the profit margin will be less. Therefore at time of designing policies marketers use to adopt the following strategies for introductory stage:

- The firm will concentrate on one product only
- Adequate funds will be allocated to research and development
- The firm may adopt skimming pricing strategy or penetration pricing strategy depending upon the nature of the product.
- The firm may adopt concentrated or mass distribution strategy depending on the area of market to be covered.

3) Growth stage:

It is the second stage in product life. During this stage product is known to customer and demand for the product is increased. Along with this, the cost of production and promotional expenses will fall down gradually. As a result the firms get good profit through marketing of the product. However due to market demand and profit incentive, new firms will enter in the market with modified product. Therefore at this juncture marketer decides the following strategies:

- Product improvement strategy will be adopted to cover large market.
- The firm may adopt penetration pricing strategy.
- Aggressive sales promotion techniques will be used to improve sales.
- Modified distribution channels will be accepted to cover large area etc.

4) Maturity stage:

During this stage, firm being well established in the market, sales of the firm remain more or less stagnant. The competitors are more with identical products. Its overall results are there is reduction in firm's profit. Because of intense competition, entering into new markets becomes difficult. Therefore the firm always thinks to introduce new product and new marketing mix. Along with this the firms use to study the competitors startles to compete and adjust the production and marketing activities to counteract the same. Generally marketer adopts the following strategies:

- The firm may adopt production modification to improve upon the existing product.
- The firm will continue penetration pricing strategy.
- The firm may stress on promotion expenses and undertake more promotional work.
- The firm may try to concentrate on specific market segment etc.

5) Decline stage:

This is last stage of product, in its life. Here product has low demand as rivals are coming up with new modified products in the market. Firm's sales might have declined noticeably.

Here marketer may reposition the product or modify the product or even take a decision to drop the product from the product mix. Special efforts are necessary at this stage, failing which the firm will have to go out of market within a short period. The marketer implements the following way to deal with the situation-

- Replace existing product with an improved product.
- Loss making brand will be withdrawn from the market
- There will be reduction in price of the product
- Goods may be sold to selective segment.
- The firm may become economical on expenses

CHECK YOUR PROGRESS:

1. "Marketing Mix starts with customer and ends with customer". Explain.
2. Enlist the components of Product mix.
3. Define the following terms:
 - a. Marketing mix
 - b. Product mix
 - c. Product Life Cycle
 - d. Introduction stage
 - e. Maturity stage
 - f. Decline stage

5.5 BRANDING

5.5.1 MEANING AND DEFINITION

Branding is a commonly used trade practice by manufacturer of consumer and industrial goods. This is very old concept and very much similar to our tradition concept which is known as "naming ceremony". Branding means giving an attractive name or symbol to the product by which it will be identified in the market and remembered by traders and consumers. It gives independent status and identified in the market and remembered by traders and consumers. It gives independent status and identification to a product and it remains with the product for a long period. Once the brand is used, it becomes an internal part of the product itself. Therefore branding becomes so popular, and common that today hardly anything goes unbranded.

The American marketing association,

“Brand is a name, term, symbol or design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them those of competitors. It is also known as emblem or stamp put on product”.

Branding is facilitating product differentiation, so it is essential in this age of mass production and distribution of identical products. It is necessary due to ever increasing market competition, growing importance of packaging, advertising and publicity and need to develop brand image in the minds of consumers. In short brand is nothing but identification mark of the product with, which consumer can remember.

According to Kotlar and Armstrong

“A brand is a name, term, sign, symbol or design or combination of these that identifies the maker or seller of product or service”.

5.5.2 BRAND SELECTION

Brand selection means choosing the best, suitable and catchy name or sign or symbol to the product that they meet the imagination of buyers and become super success. E.g. Dettol, Lux, Nokia, Colgate etc. Choosing right name to a product is not easy job. Therefore sometimes companies may organize competition where consumers are asked to suggest names for product/service.

While selecting brand, it is to be selected from customers' point of view i.e. the name that they wish to see. There are so many products introduced every year with certain brand but as the brand is not suitable, that product fails. Here marketer needs to do marketing in branding. That is he has to do some creativity in name and attract the consumer e.g. 7 O'clock blades etc., with which people will get fascinated.

At the time of selection of brand if seller considers the following aspects then it stands as successful brand:

- 1) The name should be benefit suggesting, like soap named Medimix which indicates medical care of skin.
- 2) The name should be easy to remembers, so that consumer can remember it easily at the time of purchase as well as it should be simple and easy to pronunciation like Bata, Surf, Pepsi, Tide etc.
- 3) Brand should not have dual meaning, and should be easy noticeable like, Dettol, Vicks, Onida etc.

5.5.3 BRAND EXTENSION

Brand extension means using a successful brand name to launch a new or modified product in a new category. It gives a new product instant recognition and faster acceptance, and saves high advertising cost on the part of building new brand. At the same time it may confuse the image of the main brand.

In short brand extension means to use the same popular brand name to other products of the company for example. Nirma washing power brand is extended to Nirma soap. This policy of brand extension gives certain benefits to the manufacturer. As a result, this policy is used by many manufacturers with popular brand under their control.

Reasons for brand extension:

1. As it gives instant recognition to new product.
2. There is cost cutting on brand building.
3. It is undertaken on use existing products strength to gain customer support quickly.
4. Brand extension help to lend new product for premium pricing.

5.5.4 BRAND POSITIONING

MEANING AND DEFINITION

Brand positioning is one more important tool of marketing. It refers to creating and maintaining the brand image in the minds of targeted audience/customer. Today we have so many products with different brands in the market. The products are very attractively designed and packed, but it does not serve the marketing purpose. The challenge before every manufacturer is to differentiate his product with the consideration that how his brand of product should be seen by his consumers and how consumers see it in comparison to that of competitions products? So while positioning his product the manufacturer must know about consumers needs, preferences, buying motives, purchasing powers and consumption habits or so that he will have answers to the questions which are arisen at the time of positioning product. They are –

- i) How can I differentiate my product from that of competitions?
- ii) Which difference to pinpoints?
- iii) What basis of communicating differences should be adopted?

For example 2 minutes of Maggie noodles creates an image of convenience.

In short we can conclude that efforts aimed at creating and maintaining in the mind of target customer that intended image for the brand, relative to other brands. So that they will perceive the brand as possessing the attributes they want.

“The act of designing the company's offer so that it occupies a distinct and valued place in the target customer's mind”.

Philip Kotlar.

IMPORTANT OF BRAND POSITIONING

- Brand positioning is important as it helps to identify target audience and accordingly determines the image to be created for them.
- It considers all competitive brands present in the market and tries to score over them.
- It helps consumer to see the difference to be superior to other brands offering the benefit.
- It helps to analyse consumer preferences.
- It helps to segment the market and remove positioning errors.

- It highlights products attributes & benefits.
- It widely uses psychology while trying to appeal to consumers.

POSITIONING STRATEGIES:-

There are different positioning strategies which can be adopted by the marketer to create that image in the mind of targeted customer. They are as under –

1. Positioning by Product's specific features:-

Here Marketer emphasis on a specific feature of his product to create image in the minds of the customer. For example, Tata Motors – Indica ev-² India's most full efficient car – 25 km/liter. By giving this message through advertising they are creating full efficiency image of the product.

2. Positioning by Price and Quality:-

As we are aware the price is a very sensitive element of the product no marketer can charged high price to his product, if charged then there will be reduction in sales. So it is necessary to consider it for positioning. Here manufacturer by giving advertise may create position of the product in minds of the customer. For example, 'Good quality costs a little more' or 'Quality product at reasonable or affordable price' etc.

3. Positioning by user Category:-

Here the marketer is trying to emphasis on the users who uses the product and wanted create that image among the people. For example Beauty soap of film star i.e. Lux soap of HLL.

4. Positioning by Corporate Image:-

It is common base for positioning. Some of the products use their corporate names to position themselves. Generally the products ranging from health care and cosmetics to consumer durables use this type of positioning. For example Tata, Bajaj, Philips, Sony etc often uses their corporate names to leverage their position.

5.5.5 BRAND EQUITY

Brand equity acts as a powerful strategic marketing tool. It play's an important role in competitive marketing and also in sales promotion. Brand equity has a value, and the value of a brand is brand equity. Brand equity referred as incremental value of a business above the value of its physical assets due to the market position achieved by its brand and the extension potential of the brand.

Brand equity as an asset appreciates continuously over a period of time. Brands vary in the amount of power and value they have in the market place.

- **Factors determining brand equity.**

ii) Brand Name Awareness:- Brand awareness is the ability of potential buyer to recognize to recall that brand belongs to a certain product category.

iii) Brand Associations:- Brand association is anything linked to a brand. The underlying value of a brand name often is based upon associations liked to it. Like perceived quality, brand associations also influence on purchase decisions and brand loyalty.

iv) Perceived Quality of the Brand:- Perceived quality is the customer's perception of the overall quality or superiority of a product as compared to other competing brands.

Perceived quality directly influences purchase decisions and brand loyalty, especially when buyer is not motivated to conduct a detailed analysis of the product.

- **Advantage of Brand Equity to Consumers**

1. Consumers purchase branded products with confidence and affinity. Naturally, they get pleasure by using branded products.
2. Consumers feel confidence as regards their purchase decision as branded products develops loyalty in the minds of consumers.
3. Consumers get new information about the products and brands.
4. Consumers enjoy pride using a product of specific brand due to its popularity and prestige.

- **Advantages to Manufacturing Firms**

1. Firm gets the benefits of consumer loyalty.
2. It gets support from dealers.
3. The firm can introduce new product easily under existing brand.
4. A firm can raise profit margin by raising the price.

5.6 PRICE MIX

5.6.1 MEANING

Pricing decision has strategic importance in any enterprise. Pricing governs the very feasibility of any marketing programme because it is the only element in a marketing mix accounting for demand and sales revenue. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives came into prominence in many pricing decision. We now come to the most absorbing questions of pricing. Economist defines price as the exchange value of a product or service always expressed in money. To the consumer the price is an agreement between seller and buyer concerning what is to receive. Price is the mechanism or device for translating into quantitative term i.e., rupees and paisa the perceive value of the product to the customer at a point of time

CHECK YOUR PROGRESS:

1. Define the following terms:
 - a. Branding
 - b. Brand selection
 - c. Brand extension
 - d. Brand positioning
 - e. Brand equity
 - f. Price mix
2. Enlist the points showing importance of Price mix.

5.7 FACTORS AFFECTING PRICE MIX

The final price for a product may be influenced by many factors which can be categorized into two main groups:

- **INTERNAL FACTORS :**

While setting the price of a product or service, marketers must take into consideration several factors which affects on the company's decisions and actions. The internal factors are controllable by the company to a large extent and if necessary,

can be altered. However, making a quick change is not always realistic. For instance, product pricing may depend heavily on the productivity of a manufacturing facility (e.g., how much can be produced within a certain period of time). The marketer knows that increasing productivity can reduce the cost of production of each product and thus allow the marketer to potentially lower the product's price. But increasing productivity may require major changes at the manufacturing facility that will take time (not to mention be costly) and will not translate into lower price products for a considerable period of time. These factors are generally related to corporate objectives. Corporate objectives can be wide-ranging and include different objectives for different functional areas (e.g., objectives for production, human resources, etc). While pricing decisions are influenced by the objectives set up for the marketing functional area. There are four key objectives in which price plays a central role. In most situations only one of these objectives will be followed, though the marketer may have different objectives for different products. The four main marketing objectives affecting price include:

1. Return on Investment (ROI)

A firm may set as a marketing objective the requirement that all products attain a certain percentage return on the organization's spending on marketing the product. This level of return along with an estimate of sales will help determine appropriate pricing levels needed to meet the ROI objective.

2. Cash Flow

Firms may seek to set prices at a level that will insure that sales revenue will at least cover product's production and marketing costs. This is most likely to occur with new products where the organizational objectives allow a new product to simply meet its expenses while efforts are made to establish the product in the market. This objective allows the marketer to worry less about product profitability and instead directs energies to building a market for the product.

3. Market Share

The pricing decision may be important when the firm has an objective of gaining a hold in a new market or retaining a certain percent of an existing market for new products. Under this objective the price is set artificially low in order to capture a sizeable portion of the market and will be increased as the product becomes more accepted by the target market. For existing products, firms may use price decisions to insure they retain market share in instances where there is a high level of market competition and competitors who are willing to compete on price.

4. Maximize Profits

In case of older products that appeal to a market and is no longer growing, here the company may set up the objective requiring the price be set at a level that optimizes profits. This happens in the case when the marketer has little incentive to introduce

improvements to the product (e.g., demand for product is declining) and will continue to sell the same product at a price premium for as long as some in the market is willing to buy.

- **EXTERNAL FACTORS:**

There are a number of influencing factors which are not controlled by the company but will impact pricing decisions. Understanding these factors the marketer requires to conduct research, to monitor what is happening in each market.

Possibly the most obvious external factors that influence price settings are the expectations of customers and channel partners. When it comes to making a purchase decision customers assess the overall “value” of a product much more than they assess the price. When deciding on a price marketers need to conduct customer research to determine what “price points” are acceptable. Pricing beyond these price points could discourage customers from purchasing. The external factors are:

- 1. Firms within the marketer’s channels of distribution:**

This factor must be considered when determining price. Distribution partners expect to receive financial compensation for their efforts, which usually means they will receive a percentage of the final selling price. This percentage or margin between what they pay the marketer to acquire the product and the price they charge their customers must be sufficient for the distributor to cover their costs and also earn a desired profit.

- 2. Competition:**

Marketers will undoubtedly look to market competitors for setting price. For many marketers of consumer products researching competitive pricing is relatively easy, particularly when Internet search tools are used. Price analysis can be somewhat more complicated for products sold to the business market since final price may be affected by a number of factors including if competitors allow customers to negotiate their final price. Analysis of competition will include pricing by direct competitors, related products and primary products.

- 3. Governmental regulation:**

Marketers must be aware of regulations that impact how price is set in the markets at which their products are sold. These regulations are primarily government enacted, meaning that there may be legal ramifications if the rules are not followed. Price regulations can come from any level of government and vary widely in their requirements. For instance, in some industries government regulation may set price ceilings (how high price may be set) while in other industries there may be price floors (how low price may be set). Additional areas of potential regulation include: deceptive pricing, price discrimination, predatory pricing and price fixing.

Finally, while selling beyond home market, marketers must recognize that local regulations may make pricing decisions different for each market. This is particularly concerned with the selling to international markets where failure to consider regulations

can lead to severe penalties. Consequently marketers must have a clear understanding of regulations in each market they serve.

5.8 METHODS OF PRICING

There are different types of pricing methods which are given below

a) Cost base Pricing

In cost based pricing method, the general principle of charging for products is related to the cost of providing these products. The traditional pricing policy can be summarized by the formula: $\text{Cost} + \text{Fixed profit percentage} + \text{overheads} = \text{selling price}$

Cost based pricing involves the determination of all fixed and variable costs associated with a product or service. After the total costs attributable to the product or service have been determined. Managers add a desired profit margin to each unit such as a 5 to 10 percent mark up. The goal of the cost oriented approach is to cover all costs incurred in producing or delivering products or services and to achieve a targeted level of profit.

b) Market Penetration Pricing Strategy

Penetration Pricing used for new product wanting to gain market share. The product is priced low so that it is able to get a hold in the market, once the market share picks slowly increase you price.

c) Skimming the cream pricing strategy

Market skimming strategy is adopted when a new innovative product is bought out in the market and during the first few months high prices can be charged as there is little competition and the product is popular because it is new. Later on due to competition other factor your product become common in the market as the result you slowly reduce your cost.

d) Follow the leader pricing strategy:

Under follow the leader pricing strategy marketer try to fix up the cost of the product lower than leader's price in order to attract market, as leader is the one who enjoys better market share and when your product is relatively new in the market you cannot price your product more than your leader's price.

e) Psychology pricing strategy

This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example

Prices are fixed as 99 , 299 or 1999 Rupees.

F) Below the cost pricing strategy:

Marketer adopts below the cost pricing strategy when its products are perishable in nature. For e.g.: Milk, vegetables etc.

5.9 SUMMARY

Marketing mix is the system that allows business to match consumers' needs with products offering. Combination of 4 marketing variables, target oriented and dynamic concept, customer oriented concept, wide applicability etc are the main features of Marketing mix.

While taking the decision about Product mix it is necessary to think about product width, product length, product depth, consistency etc. Brand, labeling, packaging, product design, product quality, product colour, warranties, after sales services etc are the main components of Product mix.

Every product passes through different stages after it launch in the market. Product development stage, Introduction stage, Growth stage, Maturity stage, and Decline stage are the steps in the Product Life cycle.

Branding is a naming ceremony of a product it means giving attractive name or symbol to a product.

Brand positioning means creating and maintaining the brand image in the minds of customers. Different positioning strategies can be adopted in the market such as: Positioning through product specific features, by pricing and quality, by users category, by corporate image.

Brand equity is the additional value of the business over its physical assets which is achieved by the brand in the market. Different factors determining Brand equity are: Brand name awareness, Brand associations, perceives quality of the brand etc.

Pricing is one of the most important elements of the marketing mix, as it is the only mix, which generates a turnover for the organisation. Though pricing strategies can be complex, the basic rules of pricing are straightforward. The basic rule of pricing is 'All prices must cover costs and profits'. Cost based pricing, Penetration Pricing, Skimming strategy, Follow the leader pricing strategy, Below the cost pricing strategy etc are the main pricing strategies.

Before setting a price for your product, you have to know the costs of running your business. If the price for your product or service doesn't cover costs, your cash flow will be cumulatively negative, you'll exhaust your financial resources, and your business will ultimately fail.

5.10 EXERCISE

1. What is marketing mix? Explain the need or importance of marketing mix.
2. Explain the features of marketing mix.

3. What do you mean by product mix?
4. What is product life cycle (PLC)? Explain the different stages involved in product life cycle.
5. Write short notes:
 - a. Branding
 - b. Brand positioning
 - c. Brand loyalty.
6. What is price mix? Explain the factors influencing pricing of the product.
7. Discuss various methods of pricing of the product.
8. Define following terms
 - a. Skimming strategy
 - b. Leader pricing strategy
 - c. Penetration Pricing
 - d. Price mix
9. What are the different methods of pricing?
10. Discuss the factors affecting on pricing decision.



6

PLACE AND PROMOTION MIX

Unit Structure:

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Channels of distribution
- 6.3 Factors determining the channel of distribution
- 6.4 Managing Channel of Intermediaries.

- 6.5 Promotion Mix
- 6.6 Element of Promotion Mix
- 6.7 Role of Advertisement
- 6.8 Salesmanship / Personal Selling
- 6.9 Public relation and Publicity
- 6.10 Summary
- 6.11 Exercise

6.0 OBJECTIVES

After completing this unit you should be able to:

- Appreciate the role of distribution channels in the overall marketing of products.
- Understand the role and services provided by various intermediaries in the distribution channel.
- Understand the factors involved in selection of an appropriate channel mix.
- Understand the tasks related to physical distribution of products.

6.1 INTRODUCTION

One of the important features of contemporary market is centralized production and decentralized market. Customers are widely scattered throughout the world. In order to satisfy them manufactures must distribute product conveniently. Obviously, the prominent marketing goal, i.e. customer satisfaction can be achieved only when the most desired products are distributed conveniently at reasonable price in time.

6.2 CHANNELS OF DISTRIBUTION

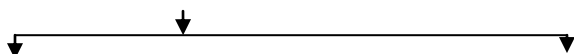
6.2.1 MEANING:

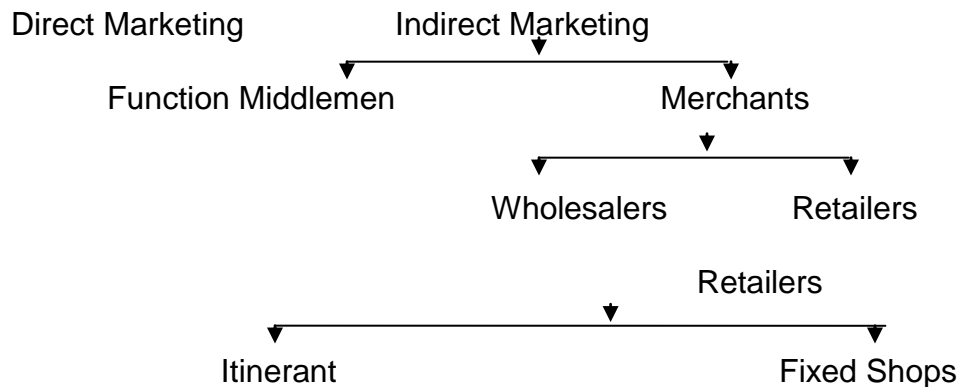
Goods produced by the manufactures must come to the knowledge of the ultimate consumers. This is arranged by sales promotion activities like salesmanship and advertising. By mere knowledge, the prospective consumers are not happy. The products must reach their hands for actual use. Channels of distribution are paths through which products move from the points of production to the points of consumption. Distribution channels are also called trade channels.

6.2.2 DIRECT AND INDIRECT MARKETING

Selling goods to customer directly is direct marketing and selling through intermediaries is indirect marketing.

Channels of Distribution





	Small Scale	Large Scale
1) Hawkers and Pedlars		
2) Pavement shops or street Traders	1) Street stalls	1) Deferred Payment System
3) Cheap jacks	2) Second hand good sellers	
4) Market traders	3) General Stores	(a) Hire Purchase
	4) Speciality shops	(b) Instalment
	5) One price shops	2) Mail Order business
		3) Departmental Stores
		4) Multiple Shops
		5) Co-operatives
		(a) Super Market
		(b) Consumer stores

The channels of distribution may be grouped under two major headings (i) Middlemen and (ii) Direct selling by manufactures

• **INDIRECT MARKETING**

The most common routes used for bringing the products in the market from producer to consumer are as follows:

1) Manufacturer- Consumer - Channel (Direct Sale)

There are three alternatives in direct sale to consumers : (a) Sale through advertising and direct methods (mail order selling), (b) Sale through travelling sales force (house to house canvassing), (c) Sale through retail shops of manufacturer, e.g. Mills' cloth shops, Bata Shoe company Shops.

(1) The path follows by a product as it changes its ownership and possession in the movement from production to consumption is known as its channel of distribution.

- (2) A manufacturer may use different channels, at different times, for different products, in different markets.
- (3) A channel represents three flows : (a) Goods flow downwards from producer to consumer, (b) Cash flows upwards from consumer to producer representing payment for goods, (c) Information flows in both the directions downstream and upstream representing two way traffic of communication. Upward flow of information indicates feedback of information, i.e., consumer feelings, desires and reactions.

This is the shortest channel a product can follow to the market. Industrial goods may be sold directly to industrial buyers. Usually we have numerous and scattered consumers who buy in very small quantities. Hence, this channel is not popular for a wider market.

2) Manufacturer – Retailer – Ultimate Consumer

This channels option is preferable when buyers are large retailers, e.g. a departmental store, discount house, chain stores, super market, big mail order houses or co-operative stores. The wholesaler can be by-passed in this trade route. It is also suitable when products are perishable and speed in distribution is essential. Automobiles, appliances, men's and women's clothing, shoes are sold directly to retailers. However, the manufacturer has to perform functions of a wholesaler such as storage, insurance, financing of inventories and transport.

3) Manufacturer – Wholesaler - Retailer - Consumer

This is a normal, regular and popular channel option used in groceries, drugs goods etc. It is suitable for a producer under the given conditions : (a) he has a narrow product line. (b) He has limited support. (c) Wholesaler are specialized and can provide strong promotional support. (d) Products are durable and not subject to physical deterioration or fashion changes.

The best means of transport and communications, growth of big retailers, computer handling of small innumerable orders of retailers, advances in automatic data processing, information explosion etc. may reduce the need and importance of wholesalers in future.

4) Manufacturer - Agent – Wholesaler - Retailer – Consumer

In this channel, the producer uses the services of an agent middlemen such as a sales agent, for the initial dispersion of goods. The agent, in turn may distribute to wholesalers, who in turn sell to retailers. Many textiles mills have sales agents for distribution. We may have a large national distributor such as Voltas, acting as sole selling agent for many manufactures. Agent middlemen generally operate at the wholesaler level. They are common in agricultural marketing.

In marketing manufactured goods, agent middlemen are used by manufacturers to make themselves free from marketing tasks. An agent middlemen sells on commission basis directly to wholesaler or to a large retailer.

5) **Manufacturer – Wholesaler – Consumer / User**

Wholesaler may bypass retailer when there are large and institutional buyers, e.g. industrial buyers, Government, consumer co-operatives, hospitals, educational institutions, business houses, etc.

6.3 FACTORS DETERMINING THE CHANNEL OF DISTRIBUTION

The problem of selecting the most suitable channel of distribution for a product is complex. The most fundamental factor for channel choice and channel management is economic criteria, viz, cost and profit criteria. Profit organizations are primarily interested in cost minimization in distribution and assurance of reasonable profit margin. However, channel decisions are not made entirely on the basis of rational economic analysis. We have to consider a number of factors such as the nature of the product, market trend, competition outlook, pricing policies, typical consumer needs, as well as needs of the manufacturer himself. The following are the other critical factors :

1) **Product**

- (a) If a commodity is perishable or fragile, a producer prefers few and controlled levels of distribution. For perishable goods speedy movement needs shorter channel or route of distribution.
- (b) For durable and standardized goods, longer and diversified channel may be necessary.
- (c) For custom made products direct distribution to consumer or industrial user may be desirable.
- (d) Systems approach needs a package deal and a shorter channel serves the purpose.
- (e) For technical product requiring specialized selling and serving talents, we have the shortest channel.
- (f) Products of high unit value are sold directly by travelling sales force and not through middlemen.

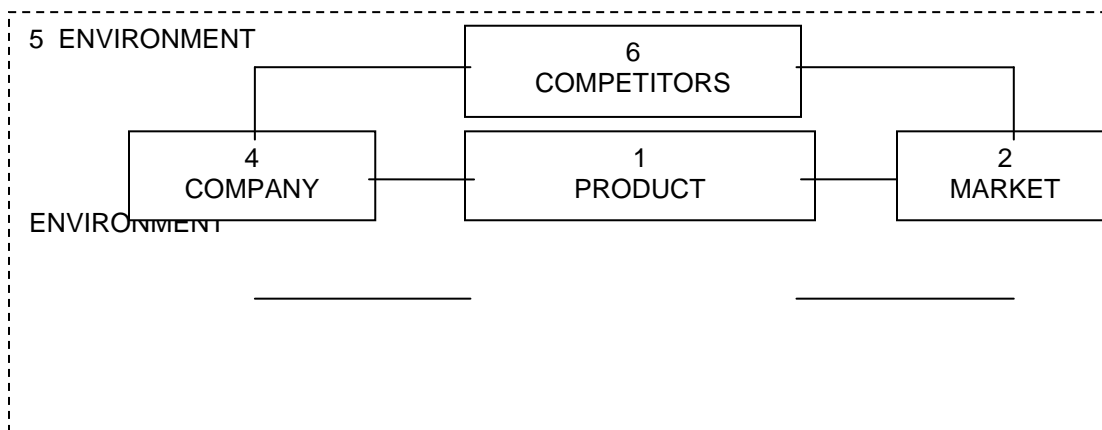


Fig. 2.3 Dealer Choice

3
MIDDLEMEN

2) Market

Market means people with money and willingness to purchase want satisfiable goods. Age, income group, sex, vocation, religion of customers will have to be studied to secure adequate information of market segments or target channel choice. Buying habits of customers and dealers will also influence our channel choice. Consumer and dealer analysis will give us data on the number, type, location, buying habits of consumers and dealers. Channel choice needs this information. For examples, desire for credit, preference for one stop shopping, demand for personal services, amount of time and effort the customer is willing to spend - are all important factors in channel choice.

If ultimate buyers are numerous, the order is small, order frequency is great and buyers insist on the right to choose from a wide variety of brands / goods, we must have three or even more levels of distribution. Market considerations also govern mass distribution (through multiple channels) or selective/ exclusive distribution through few or even one dealer. When service after sale is required, e.g. TV Sets, Refrigerators, etc. selective distribution is profitable.

- (a) For consumer markets, retailer is essential, whereas in industrial market we can eliminate the retailer.
- (b) If the market size is large, we have many channels, whereas in a small market direct selling may be profitable.
- (c) For highly concentrated markets, direct selling is enough but for widely scattered and diffused markets, we must have many channels.
- (d) Size and average frequency of customer's orders also influence the channel decision. In the sale of food products, we need both wholesaler and retailer.

3) Middlemen

- (a) Middlemen who can provide wanted marketing services will be given first preference. Of course, they must be available.
- (b) The selected middlemen must offer maximum cooperation particularly in promotional services. They must accept marketing policies and programmes of the manufacturers and actively help them in their implementations.
- (c) The channel generating the largest sales volume at lower unit cost will be given priority. This will minimize distribution cost.

4) Company

- (a) The Company 's size determines the size of the market, the size of its accounts and its ability to get middlemen's cooperation. A big firm may have a shorter channel.
- (b) The company's product mix influences the pattern of channels. The broader the product line, the shorter will be the channel. If the product mix has greater depth or specialization, the company can favour selective or exclusive dealerships.
- (c) A company with substantial financial resources need not rely too much on the middlemen and can afford to reduce the level of distribution. A weaker company has to depend on middlemen to secure financial and warehousing reliefs.
- (d) New companies rely heavily on middlemen due to lack of experience and ability of management.
- (e) A company desiring to exercise greater control over the channel will prefer a shorter channel as it will facilitate better co-ordination, communication and control.
- (f) Heavy advertising and sales promotion can motivate middlemen to handle displays and join enthusiastically in the promotion campaign and co-operative publicity. In such cases, even a longer chain of distribution can be profitable. Thus, quantity and quality of marketing services provided by the company can influence the channel choice directly.

5) Marketing Environment

Marketing environment can also influence the channel decision. During recession or depression, shorter and cheaper channel is always preferable. In times of prosperity, we have a wider choice of channel alternatives. Technological innovations also have an impact on distribution. The distribution of perishable goods even in distant markets has become a reality due to cold storage facilities in transport and warehousing. Hence, this led to an expanded role of intermediaries in the distribution of perishable goods.

6) Competitors

Marketers closely watch the channel used by rivals. Man a times, similar channels may be desirable to bring about distribution of your products also. However, sometimes marketers deliberately avoid customary channels (dominated by rivals) and adopt different channel strategy. For instance, you may bypass retail store channel (usually used by rivals) and adopt door to door sales (where there is no competition).

CHANNEL DECISION:

The first problem of channel , decision is whether you want direct sale to consumer or indirect sale i.e. sale through middlemen. Under direct sale, the channel

problems become problems in company operations as most of the system's components are parts of the company organization. If the firm chooses the indirect route, it must consider such problems as the type and number of middlemen and the methods to be employed in motivating and controlling them. The selection of these middlemen begins with the knowledge of ultimate customers – his needs and desires for distribution services. The number of middlemen employed will be determined by customer conveniences and economics of exclusive distribution. The company must choose whether to attempt extensive, selective and exclusive distribution or combination of all the three types. The decision is made after a careful analysis of product, consumers, dealers, company objectives and policies, and the conflict within the channels and any other relevant factors. The company must resolve channels and bring the product profitably to the market.

Once the company has determined its basic channel design and levels of distribution, it has to select middlemen, appoint them, motivate their efforts, evaluate their utility periodically and, if necessary, it has to reorganize the channels in the light of experience.

6.4 MANAGING CHANNEL OF INTERMEDIARIES

In all commodity markets, whether primary or central, we have a host of middlemen acting as essential functionaries.

1) Brokers : Broker is an agent who does not have direct physical possession of goods in which he deals but he represents either the buyer or the seller in negotiating purchases or sales for his principals. They may be organized as individuals, partnership or even companies. They act as agents for their clients-producers, dealers, manufacturers, etc. The produce brokers offer services of expert middlemen between sellers and buyers. Brokers are experts in grades, qualities, trade terms and contract terms as well as in warehousing and transport problems. They buy and sell specific grades of a commodity on behalf of their masters or employers who undertake all market, credit, transport and other risks.

In the primary markets, they do business on account of their customers not only in spot goods, ready for immediate delivery, but they also make sales at negotiated prices for forward delivery of specific grades and of definite quantities.

2) Commission Agents : In each primary and central market, individuals, firms or even companies are organized to buy or sell commodities, acting as buying or selling agents of producers, dealers or manufacturers who convert the commodities into consumer goods. They may buy or sell on their own account and at their own risks of loss. In that case, they are called commission merchants or factors. They may receive goods for sale on consignment acting as consignees of their employers. They are important in agricultural markets. The consignment method is used by method is used by manufacturer who wish to maintain resale prices of their goods. They may also act as sole agents of their employers. Resident buyers or

buying agents are important in central markets of purchases on behalf of distant buyers. Selling agents sell the entire output of their principles or all of the given lines of goods; they also often have full authority to finalise prices, terms and other conditions of sale. We have also manufacturer's agents to sell goods of a number of non-competing producers or manufacturers. They are appointed on a continuing agency basis; they often sell within an exclusive area. But they possess limited authority with regard to prices and terms of sale. All commission agents work for a fee or commission, e.g. 3% or 5% on sales or purchase.

3) Dealers : In all primary and central commodity markets, we invariably have merchant dealers. They are great risk-bearers in the physical or spot markets. They are the backbone of our markets. These dealers act as principles, buying and selling commodities on their own account and at their own risk merely for a chance of profit. By selling to them, all producers can be free from risk of loss. They also act as warehouse-keepers of the market and to that extent manufacturers are also free from risk of loss to a certain extent. The development of the dealer the risk bearing middlemen between the producer and the manufacturer and between the manufacturer and the ultimate consumers – permitted the producers and converters to transfer some of their market risks to the dealer. The commodity dealer voluntarily absorbs both market and credit risks in the expectation of making profits. There is no assurance of profits.

4. Sole Selling Agency: An established firm of good reputation operating in each area may be appointed as a sole agent or distributor exclusively for that locality. The sales manager will have at his disposal the standing sales organization of the selling agent for distribution of his goods in that area. He may be able to arrange for his goods to be advertised, packed, warehoused, sold and delivered by the selling agents in each important market.

The sales manager must make sure that the agency is sound, honest and it is a practical proposition based on mutual permanent benefit. When the agent is assured of benefits, he will work hard and with enthusiasm. In return he is bound to devote particular attention to the agents and discharge faithfully his regular duties arising out of the seller's sales campaign.

There should be a regular legal agency agreement covering the mutual rights and obligations of both parties and all questions likely to arise during the agency. The minimum period of an agency should be normally three to five years, with a three months notice period on either side for agency termination.

Usually, sales agencies involve exclusive selling rights for a territory. This will prevent competition among agents. Of course, the sole agents must know the area well and must be able to handle the given area effectively. The sole agent is given a special commission.

5. Consignment Sale: The stock may be brought by the agent outright on the understanding that he may return for credit the stock unsold. But usually, the stock is held on consignment by the agent and the property remains with the seller until it is sold. The agency agreement will mention the maximum amount of stock to be held by the agent at a time. Within the prescribed limit, the agent is free to select his stock.

Under a consignment sale, the goods are consigned to the selling agent called the consignee on a sale or return basis. When the goods are sold, the agent prepares "Account Sale" and forwards it to the seller. The selling expenses and commission are deducted from the total sale proceeds and the net amount due is remitted by cheque along with the Account Sale. Usually, the selling agent also acts as **del credere** agent in which case he assumes full responsibility for bad debts against special del credere commissions.

Sole agents or sole distributors are given reasonable areas for exclusive selling rights. The seller cannot put too much of his business in the hands of one agent. If a large output is sold through one agent only, the goods of the seller may become identified with the agent to such an extent that a change of agent would be difficult in practice without loss of business and prestige.

The manufacturer should not rely upon his agent for demand creation. He must conduct a general advertising campaign with or without agent's cooperation. In trade exhibitions, the seller must himself participate and should not compel his agents to do so.

Exclusive dealing agreements are illegal if the supplier has a substantial share of the market. If the seller has any substantial market power, an exclusive dealer may be substantially protected from competition in his area. In the U.S.A. as little as 8 percent to 10 percent of the market power may be regarded as substantial. However, in India exclusive dealership or distributorship is regarded as a restrictive trade practice, subject to approval under the M.R.T.P. Act, 1969.

6. Wholesalers

- (1) The wholesaler is mainly concerned with the assembling (the wholesaler collects varieties of a product from different manufacturer and keeps them in stock for sale to the retail sellers) and dispensing function in marketing. The products assembled and kept in stock by the wholesaler are distributed to retailers who may be widely scattered.
- (2) He deals in large quantities of goods.
- (3) He deals usually in a particular commodity. Thus, his business is a specialized one.
- (4) He generally sells his goods to retailers.
- (5) Sometimes he also arranges to sort, grade, transport, finance etc.

Wholesalers Services to Manufacturer

- (1) The wholesaler buys the entire stock of goods produced by the manufacturer and thereby relieves him of the trouble of finding a market for the goods manufactured. Therefore, the manufacturer can concentrate his attention on production.
- (2) The wholesaler makes large orders for goods to the manufacturer. Thus large-scale production is possible and the manufacturer gets the various advantages of large-scale production.
- (3) The producers also get financial help in the form of advances from wholesaler.
- (4) As the wholesaler stocks the goods for future sales, the manufacturer need not stock the goods. This gives great relief to the manufacturer.
- (5) He studies the trends in the market – changes in tastes, fashion and demand – and keeps the manufacturer informed of the preferences of consumers as revealed to him by the retailers.

Wholesalers Services to the Retailer

- (1) A retailer with small capital keeps a large variety of goods. Since the goods are kept by the wholesaler in large quantities, a retailer can get all his requirements conveniently from the wholesaler.
- (2) The retailer usually makes only small orders. Most of the large producers cannot entertain small orders. But the wholesalers take this trouble of selling the goods in small quantities to retailers.
- (3) The wholesalers also provide financial facilities to retailers. They are given credit facilities by wholesalers. This enables the retailer to manage his business with a small amount of capital.
- (4) The retailers easily come to know of any new product from the wholesalers.
- (5) The wholesaler is a specialized businessman. Therefore, he takes advantage of the favourable price movements. A part of these benefits is passed on to the retailer by the wholesaler.
- (6) The retailer can personally inspect the goods at the wholesaler's warehouse. Thus, selection of goods is made possible to retailers.
- (7) As the wholesaler alone keeps large stock of goods the risk of falling prices and spoilage involved in goods will not affect the retailer.
- (8) The wholesaler is an expert and specialist. He creates a market for the goods by undertaking sales promotion measures. He provided the retailers a ready market.

CHECK YOUR PROGRESS:

1. Define the following terms:
 - a) Channels of distribution

- b) Direct marketing
 - c) Indirect marketing
 - d) Brokers
 - e) Dealers
 - f) Consignment sales
 - g) Whole saler
2. Enlist the factors determining channels of distribution.
 3. Draw the chart showing channels of distribution.

6.5 PROMOTION MIX

6.5.1 MEANING

Marketing communication is also called as market promotion. Marketing communication refers to the method of communicating messages to the market with the motto of selling firms products. A good marketing communication requires several elements which include, Personal Selling, Public Relation, Publicity, Trade fair and Exhibition, Advertising, Internet Promotion (E-Marketing), Sales Promotion, Audio and Visual, Direct Marketing, Brands etc. The main aim of any marketing communication is to obtain and retain customers.

However, there is a number of other important objective are –

- To Inform
- To persuade
- To Remind

A business must be clear about exactly what it is trying to achieve through its Marketing communication (promotion). The example of marketing communication include–Television Advertising, Radio Advertising, Cinema, News Paper Magazines Outdoor Advertising Branding Slogans Logos Packaging Sales Promotion Publicity Sponsorship Direct marketing Direct mail.

6.5.2 DEFINITIONS

- The **UK chartered institute of marketing** defines the promotional mix (marketing communication) as” the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers.”
- Marketing communication is basically marketing promotion process. **Brink and Kelly** define the promotion mix as “The coordination of all seller initiated effort to set up channel of information and persuasion of facilitate the sales of a product or services, or the expectance of idea.”

- **William Stanton** defines the promotion mix as “promotion is the elements of an organization marketing mix that is used to inform and persuade the market regarding the organization products and services.”
- **Alderson and Paul Green** defines marketing communication as “Promotion is any marketing effort whose function is to inform or persuade actual or potential consumer about the merits of the product or the service at the same (given) price.”

6.6 ELEMENTS OF PROMOTION MIX

Marketing communication can be define as it is the combination of various elements of marketing communication or promotion which includes –

a. Direct Marketing

In direct marketing there are no channel of intermediaries which known as retailers or wholesalers or distributors. In direct marketing, the marketing activities are done directly between the manufacturer and the customers. Direct marketing techniques include telemarketing, TV and radio advertising with free phone numbers or per-minute-charging, distributing direct mail to clients, door drops, and customer care lines. Also the internet marketing and mobile phone are perfect for direct marketing.

Many companies use direct marketing, and a current example of its use, as part of a *business model*, is the way in which it is used by low-cost airlines. There is no intermediary or agent; customers book tickets directly with the airlines over The Internet. Airlines capture data that can be used for marketing research or a loyalty scheme. Information can be processed quickly, and then categorized into complex relational databases.

b. Trade Fair and Exhibitions

Trade fair and exhibitions is conduct for product promotion. Much type of consumers is come to attained trade fair and exhibitions, which includes ordinary as well as industrial consumers. it is important in case of heavy and complex technological product. In trade fair and exhibitions management team can analyze consumer reaction to a product before released on to the market. Many kind of product can adopt this strategy to promote their product. This strategy is very useful for new product launching. Trade fair and exhibition can give a chance to show how a product actually works. They allow customers to discuss a product with members of the member’s team. Technical staff is available to answer questions and discuss the product. Examples of trade fair and exhibition include- ideal car show, machinery shows, ideal home exhibition, boat shows.

c. Sales Promotion

• Meaning and Definitions

- Robert C. and Scott A. has define the term sales promotion as “ Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to

stimulate quicker and/or greater purchase of particular products / services by consumers or trade.”

- Philip Kotler has define the sales promotion as “ Those marketing activities other than personnel selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, demonstrations, expositions, and various other non-current selling efforts, not in ordinary routine.”

It is the part of marketing communication. Sales promotion can help to introduce new product in market. Through the sales promotion product and their firm can attract customers, keep consumer satisfied, increase sales during off season, increase in advertisement, and also can face competition. It can offer to consumers to encourage them to buy goods and services. Some examples of popular sales promotions activities which include -

- Discount Coupon,
- Free Gifts,
- Bye-one-get –one-free
- Merchandising,
- Vouchers and Coupon,
- Seasonal Discount,
- Exchange Offer
- After sales Service
- Gifts on Special occasion
- Free Sample
- Guarantee and Warrantee
- Free Demonstration
- Credit Facilities

- **Advantageous of sales promotion**

- Increase sales and profitability.
- It is suitable for all type of product
- Immediate feedback from customers
- It handled multiple adjectives to maintain sales during off season, to promote new product.
- It can face tuff competition
- Sales promotion keep consumer satisfied.
- It is beneficial for new product launching.
- Sales promotion reduces degree of consumer dissatisfaction.
- Sales promotion can increase sales during off season.
- Sales promotion can help to attract new consumers. Mostly the consumer to switch competitor’s brand.
- Sales promotion is flexible in nature.
- It can adjust sales promotion technique as per need or situation.
- Sales promotion is effective and impressive process.
- It creates brand popularity and customer awareness about product.

- **Disadvantages of sales promotion**
- Excessive use of sales promotion may affect sales and reputation of the company adversely.
- Sales promotion is expensive process
- Sales process is optional activity. Many companies may not adopt this strategy.
- In sales promotion accurate feedback is difficult to measure.
- People think sales promotion can use defective or inferior quality product.

6.7 ROLE OF ADVERTISEMENTS

6.7.1 MEANING AND DEFINITIONS

Advertising can encourage people to buy products. Advertisement offer choice of the consumer which allows them to make more informed consumption decision. Advertising is an important element of the marketing communication. It is a mass medium of promotion. There are various elements to use for market communication which include advertising, sales promotion, personal selling, publicity. The main aim of advertising is to improve brand image, increase sales, face completion, and build relation with public. Advertising is a expensive and powerful element. It is also dominant element of market promotion. With the help of advertising the company can face competition .in today's competitive world, the firm can not service without an effective advertising. William Stanton can define the term advertising as “ Advertising consists of all activities involved in presenting to a group a non-personal, oral visual, openly sponsored-identified message regarding a product, services or idea. The message, called an advertisement, is disseminated through one or more media and is paid for by the identified sponsor.”

- Stephen Butler Leacock (1869-1944), a Canadian economist, defined advertising as “the since of arresting the human intelligence long enough to get money from it.”
- Philip Kotler can define the term advertising as “Advertising is any paid from of non-personal presentation and promotion of goods, services, or ideas by an identified sponsor.”
- Frank Pressure can define the term of advertising as “Advertising is a printed, written, oral and illustrated art of selling. Its objective is to encourage sales of the advertiser's product and to create in mind of people, individually or collectively, an impression in favour of the advertiser's interest.”

An example of advertising includes television advertising, radio advertising, news paper and magazines, poster or billboards, internet.

6.7.2 ROLE OF ADVERTISING

1. Product Awareness:

Advertising is aimed to aware consumers about features, performance, qualities, and availability of firm's product. It raise the knowledge of the potential customers related the availability of new and better goods and services. Advertising is also a valuable mean to inform or aware consumers the changes made in existing products and introduction of new products. Advertiser may provide information of the brand to the consumers. This helps them to make a proper choice of goods and services.

2. Convince Buyers:

Advertisement is an effective way to convince consumers the superiority of product over competitors. Through effective advertisements, the manufacturer can convince target market.

3. Reputation:

Effective advertisement can bring in good name to the exporters brands and also to the firm. Different countries are also familiar with the name and brands of the company. Good and effective advertisement can advertisement can maintain reputation of the company and their firm.

4. Remind Buyers:

Reminding though the advertising is very important. It tries to persuade them that their purchase was correct and that they should continue to buy the product. This is require the firm to remind the customers that the brand is still available in the market.

5. Developing Brand Image:

Proper advertising helps to develop good brand image in the overseas market. It can develop the right image of brand. Many companies have become popular in the market due to effective advertising. Examples of brand images Hindustan Uniliver, Sony, Hero Honda, Philips, Godrej, Ambuja cement.

6. Developing Brand Loyalty:

Advertising attract the customers towarded the brand. The manufacturer should make constant efforts to effective advertising to develop brand loyalty of the buyers. Brand loyalty result repeat purchase by existing customers may also recommend the product to their relatives, friends and neighbors.

7. Build Companies Image and Reputation:

A good brand image creates favorable perceptions about the brand and it company. Advertising can develop or build corporate image and reputation of the company.

8. Face competition:

Product advertising can face competition in market. Advertising is the most powerful element to face competitors effectively. In competitive marketing environment the product and its firm can not survive without advertising.

9. Expand Market:

With the help of advertising, the manufacturer can sell not only in the local market but also in national and overseas market. Effective advertising helps to stimulate more and more demand from the consumers. The manufacturer may also enter in to other market areas or countries. This helps to boost or expand market. Advertising enables market expansions for the manufacturer.

10. Build long term relations with consumers:

Effective advertising can build long term relation with consumers. Not only the attractive advertising but also good quality result of product can develop long lasting relation with consumers or buyers.

11. Remove Negative Attitude and misunderstanding:

Through manufacturing quality goods and providing better services than competitors with good advertising can remove negative attitude and miss understanding about the product. Effective advertising helps to overcome such a negative attitude on the part of all kinds of buyers whether it is local or foreign buyers.

12. Educate to buyers:

Advertising not only informs the buyers, but also provide education. The advertising educate the consumers regarding the use of the product, side effects of the product (in case of drug), handling of the product, quality, advantageous, price, services, features etc. this helps to consumer to make a proper choice of brand.

6.8 SALESMANSHIP/ PERSONAL SELLING

6.8.1 MEANING AND DEFINITIONS

Personal selling has refers to the direct selling. It includes face-to-face communication this can be done by 'Knocking on Doors', by setting up meetings, over the telephone, organizing conferences, workshops. Personal selling is more costly method of marketing communication. For conducting personal selling it charge high prices, it is also technically complex task, and it includes costly tools. It makes personal selling very costly and complex element in product promotion. One of the best options in personal selling is salesmanship for distributing the product.

Personal selling is more powerful element rather than advertising to convinces or persuade customers. But many companies can adopt both elements personal selling and advertising to sell products as well as to get maximum possible customers response.

- **American marketing association** has defined Personal selling (salesmanship) as "salesmanship is the process of including and assisting perspective buyers to buy a

commodity or service or to act favourably upon an idea that has commercial significance to the seller.”

- **Haughton** has defined salesmanship as “salesmanship is personal service rendered to the community in connection with marketing of goods.”
- **National Salesman’s Training Society of U.S.A** has defined as “Salesmanship is an ability to persuade people buy goods or services at a profit to seller and with a benefit to buyer.”

6.8.2 Need and importance of personal selling (salesmanship)

1. **Personal communication:** - personal selling includes personal communication it means two way communications. it is not possible to provide personal communication by any other tool of the salesmanship.
2. **Brief Information:-** it provide detail demonstration of the product. With the help of salesmanship, it gives detail demonstration of product to the customer which is not possible by advertising.
3. **Increasing Sales:-** in personal selling the main purpose is to increase sales of the product by the effective salesmanship company can increase sales.
4. **Personal attention:** - Personal selling focus on personal problems, doubts, and objections of the consumers. Therefore personal attention is done by salesmanship not by the tools like publicity and advertising. Because the publicity & advertising are the mass communication tools.
5. **Quick Feedback:** - the personal selling provide Quick or immediate feedback from the customers. Salesman can collect feedback from customers whether they like the product or not.
6. **Challenging Task:-**It is challenge to the salesman to influence buyer. Every good salesman has improved ability to influence people to buy a product.
7. **Improve Image:** - the salesman can give detail and real information related to company. And also remove misunderstanding, quarries, doubts, objections of the customers. So the result is to improve image of the product and its company.
8. Personal selling can increase customer’s faith and **confidence** towards the product and its company.
9. Personal selling is an expensive task as well as complex task to handle. It wills took more effort from the salesman to approach buyer to buy product.

10. Personal selling can face some legal and ethical **issues** about the way of product selling.

11. The aim of personal selling is a **mutual benefit** (profits) to seller to buyers.

12. Personal selling is much **flexible** and dynamic in nature.

6.9 PUBLIC RELATION AND PUBLICITY

6.9.1 MEANING AND DEFINITIONS

The main aimed of public relation is to protecting and establishing the desire image of an organization. The public relation includes publicity. The public relation means, it is a process of promoting a business and its product by getting good media / press coverage, without directly paying for it to create effective image of the business. The purpose of public relation is to increase sales by establishing or improving the image of business and its product. The relationship between an organization and public relations, it includes such the shareholders, employees, competitors, suppliers, general public, media, government and customers. The public relation is, however, ongoing and long term strategy.

Yes it is difficult to see the difference between marketing communications and Public relation since there is a lot of crossover. This makes it a tricky concept to learn. Added to this is the fact that Public relation is often expensive, and not free, as some definitions would have you believe. Public relation agencies are not cheap. Below are some of the approaches that are often considered under the Public relation banner-

- Interview and Photo Calls
- Presentation, Speeches and Speech Writing
- Corporate Literature: - it includes financial reports, in-house magazines, brochures, catalogues, price lists and any other piece of corporate derived literature. This is all part of public relation.
- **Willem Stanton**: "Public relation activities typically are designed to build or maintain a favourable image for an organization and a favourable relationship with the organization's various 'public'. These publics may be customers, stockholders, employee, unions, environmentalist, the government, and people in local community, or some others groups in society'.
- **Philip Kilter**: "A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objects. Public relation (generally written as PR) involves a variety of programmes designed to promote and /or protect a company's image or its individual product."

6.9.2 FEATURES OF PUBLIC RELATIONS

- Public relation is a **continuous process**. If the companies product is already create its brand image and reputation in the market then company can maintain the existing image.
- Companies' public relation can build or **improve its corporate image**. Mass media has plying important role to promote product and its firm.
- Good maintained public relation can **removing misunderstanding** and or bad impression.
- Public relation activities can generate **positive attitude** of people toward the company and its product.
- Varies formal and informal groups are involve in public relation which include- employees, customers, suppliers and middlemen, mass media, government, service agencies, shareholders. Good relations with these groups are extent maximum possible cooperation and contribution for the success of the business and also assist during bad time.
- The public relation is useful for society. It has social significance. It has more social significance compare to means of marketing communication.
- Public relation increase credit of the company. Many companies can provide assistance in relief operations during earthquake, flood, draught to highlight its company name and social contribution in mass media.

6.9.3 Methods of Public Relation

Businesses use a variety of methods to attract publicity. Following are the methods of public relation.

- **Press Conferences**:-The particular company may want to launch a new product, for their publication they are inviting journalists to companies' presentation, where they are given information related product. Sometimes company provides free products and services for conference members to try out.
- **News Paper**:- the favourable articles in news paper create an image of the business and its product. The people take more interest in reading news stories as well as news paper stories are attention getting and timely. Public relation officer need to maintain good relations with journalist and with editors of news papers for getting more favourable coverage to the company.
- **Events**: - The events may include exhibitions, seminars, workshop, conferences, sports sponsorships, competition and contest, medical camps, cultural sponsorships. For example: the Pepsi, Sony, DLF, Sahara, kingfisher has sponsored the world cup. There kinds of events are generating high degree of popularity against the public.
- **Donation**: - Collecting small contribution from varies ways.
- **Sponsorship**: - The sponsorship is popular in sports world. Which have some examples like DLF is the sponsor to the T 20 cricket world cup. McDonald are sponsor to hockey world cup etc.

- **Company visits:-** companies like Cadbury India LTD, Baler, Parley-G and Jaguar cars have allow members of public to visit there manufacturing and research plants as part of their public relation activities .
- **Speeches:-** speeches are mostly used for the public relation. The benefit of speeches is to create a good impression on various groups of people. Basically speeches are related to companies products its function , services , policies, which is presented by experts, general managers, directors etc of the companies.
- **Publications:** - the publications are also widely used for public relations. These publications basically for the shareholders, customers, employees, traders, publics to create effective image of the products in their mind. The publications includes articles, annual reports, brochures, magazines, audio-visual materials, pamphlets, posters etc. in this way company can provide information of its products related policies and services.

6.10 SUMMARY

Distribution is the all-important link between a manufacturer and his customer. The concern is for designing a distribution strategy to facilitate the smooth physical flow of products from the manufacturer to the place from where the customers can buy them.

Channels of distribution refer to the alternative paths through which the goods can be routed. Diredct selling and indirect selling through intermediaries such as wholesalers and retailers are the two alternative channels of distribhution to choose from. The final choice will depend in the type of product which you are dealing with number and location of customers and their buying habits and the costs involved. The manufacturer should also consider the specific advantages of each type of intermediary before making the decision.

6.11 EXERCISE

1. Define the following terms.
 - a. Commission Agent
 - b. Broker
 - c. Intermediary
 - d. Retailer
 - e. Channel of distribution
2. What is mean by distribution of channel?
3. Discuss the consumer channel of distribution.
4. what are the factors affecting on channel of distribution?
5. explain the channel for industrial products.
6. What is direct marketing? Explain the various stools of direct marketing.
7. Discuss merits and demerits of direct marketing.

8. What is indirect marketing? Enlist the channels of indirect marketing.
9. What are the factors affecting channels decisions in direct marketing?
10. What do you mean by promotional mix? Discuss the various elements of promotion mix.
11. What are the different tools used by Indian companies now a day? Discuss.



7

RECENT TRENDS IN MARKETING PART I

Unit Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Service Marketing
- 7.3 Problems in Marketing of Services
- 7.4 Rural Marketing
- 7.5 Nature and Growth of Rural Marketing
- 7.6 Problems of Rural Marketing in India
- 7.7 Measures for effective Rural Market
- 7.8 Summary
- 7.9 Exercise

7.0 OBJECTIVES

After studying the unit students will be able to:

- Know the meaning and definitions of Services Marketing.
- Understand the problems in service marketing
- Understand the meaning and features of rural marketing
- Discuss the problems in Rural marketing.
- Discuss the effective measures for rural marketing.

7.1 INTRODUCTION:

Marketing is all about analyzing the market, choosing the target segment, appropriately positioning the offer's image and designing the communication and using the right marketing mix variables to achieve the strategic goals. Services, due to their

unique characteristics require extended marketing mixes to achieve the firm's strategic goals.

While designing a process the process designer must maintain a balance between functionality, security, aesthetics and ease of use by the consumer. This is not always possible and at times there can be difficulties. In order to ensure safety of passengers in the mid 90's British Railways introduced a new door locking mechanism to many carriages. While the new system worked well in terms of improving safety of passengers it was a difficult task informing passengers about system functionality and ease of use because people were too used to the old system of opening a door manually.

7.2 SERVICE MARKETING

7.2.1 MEANING AND DEFINITION

During the recent years there has been a tremendous growth of services. The service industry plays a significant role in domestic as well as global economics.

Services are marketed in conjunction with tangible goods and even goods required supporting services for its better sale. Services are identifiable, intangible activities that are the main object of a transaction designed to provide want satisfying to consumer. Therefore we can define it as "A service is any act of performance that a party can offer to another that is essentially intangible and does not result in the ownership of anything. Its ownership may or may not be tied to a physical product.

Services are rendered and experienced simultaneously. It is the process through which the consumers interact with the service provider e.g. in tourism, they include booking systems for transport and accommodation, the use of plastic money for payments, design of the queuing system at visitor attractions etc. They are designed to assist interactions between staff and customers at the critical point of contact.

A service is an act or performance offered by one party to another. They are economic activities that create value and provide benefit for customers at specific times & places as a result of bringing about a desired change in or on behalf of the recipient of the service.

Put in the simplest terms, services is deeds processes and performances. Services are not tangible things that can be touched, seen and felt but rather are intangible deeds and performances for example teaching, hotels, hospitals, banking babysitting etc.

Definition of Services:

According to Kotler, Armstrong, Saunders and Wong, "A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."

It can also be defined as "Services include all economic activities whose output is not a physical product or construction is generally consumed at the time its is produced and provides added values in forms such as convenience, amusement, timeliness, comfort or healthy that are essentially intangible concerns of its first purchaser."

In short we can say that every product is a mix a goods and services. The services are of two types known as

- i) **main purpose service** for example when car is rented by a person, he buys the rental use of the care and not the care itself.

- ii) **supplementary use of services** means when main service provider goods are purchased with the services of another service renders. For example purchasing of a washing machine by using credit card to utility. Here credit card facility stand as supplementary services. Such service sectors consists of A) service industry and B) self-employed professionals. In service sector we have govt. providing public services, private parties & private firms.

7.2.2 FEATURES OF SERVICES

- a. **Intangibility:** Services are intangible, as a result, the customer do not note them or perceives them differently than the company desires. It is necessary to make them more visible shaping perceptions and exceptions can do this. For solution providers, repeat customers from a large chunk of business due to intangibility as the customer believes in his previous purchase.
- b. **Transitory performance:** A customer wants their needs, wants and desires to be satisfied when they consume the service product. The offer is priced after analyzing the degree of demand amongst the customers. There is an opportunity to ride the demand wave and appropriately price the offer. For example, a retail store brings in fresh stock of merchandise at the beginning of the season. Knowing the demand, and the type of customers, it can set a high price (price skimming).
- c. **Inconsistency:** Services are inconsistent due to different individuals, different time and varying customer involvement levels. Most product companies would need some element of customization for the product to be adopted by the customer and this would lead to a lot of opportunities for service organizations. Alternate delivery models such as Software-as-a-Service and Software Assembly also offer myriad opportunities for small service providers along the service delivery process.
- d. **Inseparability:** This stresses on the participation of customers in the production process. Whenever a product is sold, a service is also attached with it. E.g. If you buy a hotel room for two days, the receptionist, the waiters all have their services attached. But this is only possible when the hotels have customers to stay in and the hotel owner has managers, waiters, etc to provide them services. Thus, services when provided should have both the acceptor as well as the seller. This is known as inseparable.
- e. **Perishability:** This implies the lack of ability to store service. E.g. Movie ticket of 12 noon show on 26th July 2009 cannot be used once it's expired. Restaurants bill customer who do not turn up after having table reservation. Customers are denied service even after reservations if they arrive later than the agreed time, the next person in the waiting line is offered the service. The customer can't complain, as he, when making a reservation would have agreed upon that particular clause. Thus, this helps to cut down losses due to perish ability.

7.3 PROBLEMS IN MARKETING OF SERVICES

The problems faced by service marketing are typically different. Incidentally the features of service marketing are unique and the problems faced by service marketing are also unique. But these unique problems can not be solved easily. For that the marketer marketing needs to work out some relevant marketing strategy. They have to plan each and every aspect of service neatly then they can solve the problems. Some of the problem and the way with what they have to tackle is explained below.

i) To Tackle Intangibility

This is major problem of service marketing. Here services are not seen, touched or felt smelt. Even services cannot be checked in advances. Customer places, their order without seeing the services. Therefore the purpose of providing better services the marketer need to consider the following points and then render the services so that it may be consumed well. The points are-

- i) The advantages of services are to be stressed. Facts and figures relating to reliability, performance, safety and uninterruptedness are to be given.
- ii) Bring and some tangible representation in providing services like categorized classification of credit cards by banks.
- iii) Do not compromise on quality of services.
- iv) Link service with objects etc.

ii) To Tackle Inseparability

This is another problem faced by the service marketer, inseparability of service means the service render to customer cannot be separated from its render i.e. service provider. E.g. a beautician, physician or a technician. The customers always insist on the same service provider. The demand for his services is more, but he can't go everywhere. In this case he need to trained same people under him and ask the customer to consume their services, in addition to that he need to assure them that offenly by he will visit, check & give better services.

iii) To Tackle Variability

Services are marked by high degree of variability. So to tackle with this the service provider can think of utilising more machines, can appoint more persons, and by identifying the areas of variability required measures are to be taken to avoided eliminate them.

iv) To Tackle Perishability

Perishability refers to elapse of service if it is not available at the time when it is provided. As we know it service cannot store, so it creates imbalance in demand & supply. Here service provider should deal in such way that eligible customer can get services on time. This can easily done on pricing parameter. For example service of doctor at different times & place with changed patter of fee.

v) The quality of services also depends upon the perceptions which the people have about service providers.

In addition to the above solutions to the respective problems. There are some strategic options which can solve problems of service providers. They are –

- i) Locating service points near the customer

- ii) Making delivery points user friendly
- iii) Unconditional guarantee
- iv) Reducing time gap between service sought and delivered.

7.4 RURAL MARKETING:

7.4.1 INTRODUCTION

It is well known that around 70% of India's population resides in rural area. However, unfortunately rural markets were neglected by the Indian marketers for a long period. This was due to poverty, illiteracy, limited demand and absence of infrastructure facilities like transport, banking etc in rural areas. Now this has changed after 1950. The marketing battlefield has been extended to rural areas. "Go Rural" slogan is developed by marketers. Even big, companies and multinationals are also paying more attention towards rural areas markets. They have realised that real India lives in villages". Prime Minister Man Mohan Singh talked about his vision for rural India: "My vision of rural India is of a modern agrarian, industrial and services economy co-existing side by side, where people can live in well-equipped villages. Rural incomes have to be increased. Rural infrastructure has to be improved. Rural health and education needs have to be met. Employment opportunities have to be created in rural areas."

The rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, **rural marketing** has emerged. The Rural population is nearly **three times** the urban, so that rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agricultural-input products such as seeds, fertilizers, pesticides and farm machinery. Marketing gurus advice on going rural and tapping the vast untapped rural market in India.

7.4.2 MEANING AND DEFINITIONS OF RURAL MARKETING

The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. Agricultural marketing denotes marketing of produce of the rural areas to the urban consumers or industrial consumers. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. Rural Marketing in India Economy covers two broad sections, viz., marketing of agricultural items in the urban areas and marketing of manufactured products in the rural regions.

Rural marketing refers to marketing activities in the rural areas. In rural marketing, goods and various services are used as base for the conduct of marketing transactions. Rural and urban marketing are identical as regards basic marketing structure. However rural markets & rural marketing have special features & problems as compared to urban markets & marketing.

Rural marketing may be defined as:

“Rural marketing is a two-way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas and vice-versa as also within the rural areas.”
– **Gopalaswamy**

“The study of rural marketing comprises of all operations, and the agencies conducting the, involved in the movement of farm produced food, raw materials and their derivatives such as textiles from the farms to the final consumers and the effect of such operations on producers, middlemen and consumers.”

- **Thompson**

“Rural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or systems, both functional and institutional based on technical and economic considerations, and include pre and post harvest operations assembling, grading, storage transportation and distribution.”

As per C. G. S Krishnamacharyulu and Lalitha ramkrishan opinion. “Rural marketing is a function which manages all those activities involved in assembling, stimulating and converting the purchasing power into an effective demand for specific products and services and moving them to the people in rural areas to create satisfaction and a standard of living to them and there by achieves the goal of the organisation”.

7.5 NATURE AND GROWTH OF RURAL MARKETING

7.5.1 FEATURES OF RURAL MARKETING

Following are the features of rural marketing

i) Huge and Scattered Market

The rural market is very vast. Near about 2/3 of the Indian population resides in rural areas. It provides a large group of people as a consumer for the goods & services. Along with its vastness it is scattered over wide area. There is no uniqueness in rural markets.

ii) Agriculture Dependant

Typically, in a rural area one finds that the principal occupation is agriculture & allied agriculture activities. The basis of differentiation is obviously their size & ownership of land. Therefore their consumption patterns & differs mainly because of their income level, which is subjective and dependon harvest season. There fore it is seen that when there is a bed monsoon consequently resulting in bad crop, it is observed that rural demand also fall drastically in that year. However, with the involvement of development programme in rural area, non-agricultural sectors are growing rapidly.

iii) Inadequate Infrastructure Facilities

Infrastructure facilities like roads communication system warehouses, financial facilities are still inadequate in rural areas. Even today, many villages are inaccessible during monsoon. Here due to such conditions, physical distribution of goods & services is difficult & costly.

iv) Traditional Outlook

For long, rural consumers have traditional & simple outlook. Their needs were & are limited. They value old values, and customs. Factors such as backwardness, limited exposure to the outside world, illiteracy, low income etc are responsible for such an outlook.

v) Fast Changing Demand Pattern

The rural markets have developed steadily through the years. Along with traditional products like bicycles, radios textiles, soaps, cooking Ute sides, agricultural, inputs etc. many new products have entered in rural marks. There is growing demand for readymade garments, cosmetics, packaged food stuff consumer durables like television, mixer grinder etc.

vi) Consumers Have Diverse Socio-Economic Back-Ground

Rural consumers have diverse economic social cultural and religious background and that too differs in different parts of the country. This diversity of rural markets stands in the way of their growth.

vii) Low Standard of Living

The standard & the living of the rural areas people is low due to a variety of factors like low income, low purchasing power low literacy, social backwardness, certain customs etc. therefore they are not consuming standard and comfort products.

viii) Adjustment in Marketing Mix

The rural marketing environment is very different from that of an urban one. Marketing mix elements have to be adjusted to suit the requirements of the rural people. Hence companies manufacture separate sets or products to suit rural demands rather than dump urban products on rural consumers.

7.5.2 FACTORS CONTRIBUTING TO THE GROWTH OF RURAL MARKETS:

There are certain factors/aspects which are in due course of time developing itself. Such factors are also giving major support to the development & rural markets. These factors are as under

i) Economic and Agricultural Development

It is well known fact that around 70% of India's population resides in rural areas and agricultural is the main occupation of these people. Due to agricultural development and other economic activities. The income of rural population is increasing fastly. Its

result is, there is increasing scope for consumer goods. Therefore rural markets have tremendous scope to grow.

ii) Increasing Competition in Urban Markets

Till today all most all marketers have concentrated in urban market. They have forgotten the large population. This is resulted in saturating their products demand in urban market and give birth to tough competition. Now hence, finding new market for the existing product has become essential.

iii) Expansion of Infrastructure Facilities

Development in infrastructure facilities in rural areas is an important factor responsible for the growth of rural markets in India. The facility includes roads, railways, banks, warehousing, communication and electrifications. Due to road facilities goods can be taken even to remote areas or villages. The rural electrification programme boost to the agrarian economy. Its result is there is increase demand for agricultural & related products.

In short the infrastructure facilities provider ample opportunities for marketing goods & services in rural areas.

iv) Green Revolution

If refers to the revolution in agriculture. This is taken place because of use of developed technology and modern methods of farming. It has improved the economic conditions of the rural people and generated additional purchasing power for them. Rural people desire to purchase new varieties of goods. Even education & technically qualified people now stayed in rural area employment purposes.

v) Government Policies

The government policies in India have always favoured rural development programmes and have successfully implemented them. These policies have generated new employment opportunities, sources of income, purchasing power of the people, such policies include setting of public sector enterprises in rural areas, promotion of cottage, village and small-scale industries. Literacy drive, rural employment schemes, development of animal husbandry, poultry and dairy farming and tax benefits for shifting industrial units from urban to rural areas.

vi) Changes in the Demand Pattern

The rising expectations of the ruraler people have positively influenced, the rural marketing environment. The literacy rate is increasing and rural people are exposed to media of mass communication. They read newspapers and see T. V. advertising as a result, there is marketing awareness among rural consumers.

vii) Mass Media

Television and radio have managed to reach even the most remote areas of India. Being T. V. and radio have being covered almost 95% of population. T. V. and satellite communication have created tremendous changes in rural areas especially in their attitudes and lifestyles. They are now made aware of the various products available in the world market as a result of which the demand for such product has increased.

viii) Other Factors

Rural India is becoming a vast market due to better procurement of prices, fixed for various groups and better yields due to many research programmes.

7.6 PROBLEMS OF RURAL MARKETING IN INDIA

Rural marketing poses many problems due to the vastness of the country and a high potentiality for providing an effective marketing system. Rural marketing is difficult especially in a country like India with a number of problems. Besides a few other problems stem from the underdeveloped markets and illiterate and simple people constitute the major segments of the markets. The problems of rural marketing can be given as under:

PROBLEMS OF RURAL MARKETING IN INDIA

Even though the rural markets have offered a vast potential, it is not easy to operate in rural markets. The major marketing problems in rural areas are:

i) Wide Area Coverage

Rural markets are spread all over the country. It is difficult to establish close contact with all rural markets & supply goods regularly to these markets to meet consumer needs. Due to this doing marketing in rural area becomes time consuming costly, inadequate & irregular.

ii) Scattered Consumers

As the nature of rural market is very wide. The consumers residing in rural area are also scattered over wide area. In addition to this there are certain differences among them in term of their needs preferences purchasing powers, cultures, customs & traditions. This brings variation among the customer in rural area. Here marketer finds difficulty to serve them properly.

iii) Management of Sales Personnel Difficult

This is also a major problem in development of rural market. It is stated that the success of any business is depend on its sales or marketing. The manufactures or marketers have found that the sales personnel are not ready to go to rural area, and do not show their initiative & interest, to work in rural area. It may be because of inconvenience cause to them in terms of their stay in rural area, transportation, languages spoken or any other aspects. Therefore rural market remain as undeveloped.

iv) Error of Uniform Treatment

Generally it is found that most of the companies do not treat rural consumers differently or separately. The companies make mistake by treating rural consumers as an extension of existing urban consumers /markets. In fact there is vast difference between these two of consumers, in their social & psychological aspect. Therefore rural markets are not developing well.

v) Flexible Pattern of Demand

The demand for the product in rural area is subjective. Sometimes it may too high or it may be too low, depend upon the agricultural environment, as it is the main source of their earnings. There are certain limitations for creation of demand in rural markets.

vi) Lack of Infrastructure Facilities

This is major problem in the development of rural market. Traders in rural market faces many problems & inconveniences while marketing goods in rural areas. For example, satisfactory banking services are not available. Similarly transport & insurance facilities are not adequately available.

Vii) Communication Problems

Post & telegraph facilities are inadequate in rural areas. Many villages have no access to telephones Inadequate Communication poses obstacles in marketing of goods & services in rural areas.

viii) Storage Problem or Warehousing Problem

Suitable godowns are not available all over rural India. In the interiors, there are no public warehouses. In short in rural market there is no institutionalised warehousing and marketers are expected to make their own arrangements. This raises the cost of storage and marketing.

ix) Costly and Time-Consuming

Marketing in rural area became costly & time consuming due to long distances, absence of intra-structural facilities and suitable marketing outlets. Too much dependence on intermediaries creates problems before manufactures. It makes marketing in rural area difficult and complicated, rural consumers have to pay more price for the goods & services.

x) Other Problems

Along with the above noted problems, there are some problems which are associated with the nature of rural consumers, which stands as barriers in the development of rural markets. They are

- I. Preference of cheaper local products to branded module
- II. The nature of seasonal purchases
- III. Their buying decisions are slow
- IV. Low per capita income

V. Low level of literacy. etc.

7.7 MEASURES FOR EFFECTIVE RURAL MARKET

As we have seen that there are several problems faced by Indian rural markets. Some problems are arisen due to the inefficiency of businessman, some are lack of the government's interest and some are due to the natural climates. Therefore for the purpose of rural markets prosperity certain steps / measures can be taken and market can be developed to a greater extends. Some of measures are as under:

1. Intensive Personal Selling

There is need to do intensive selling of goods in rural area. For that marketer need to consider three 'A' i.e. namely availability affordability and acceptability. Availability means making product available to the buyers within the shortest distance. Affordability means making the product available within their expend limit i.e. making small packets, with affordable price, and then sell. Acceptability means convincing the rural buyers to buy the products through regular distribution and sales promotion. If in this way the efforts are taken by the manufacturers, then rural markets will develop well.

2. Designing Improved Distribution

Establishing effective distribution system is the essence of marketing. If marketer, by keeping costs under control able to establish distribution network, then gap between manufacturer and buyers will be reduced and goods will be made easily available at customers door step for this purpose marketer need to improve physical distribution system of goods in rural market by-

- I. Use of good stockiest
- II. Use of effective & quick means of transportations
- III. Effective distribution chain
- IV. Some time by using companies own vans for distribution

3. Determining Appropriate Media Mix

Media mix plays important role in enhancing the sale of product. In the rural area the rate of literacy is very low, the media which gives messages in writing will not be suitable, instead of that the media which will be of audio and video nature can operate well. Therefore for the purpose of pursuing people fastly, quickly and economically, the marketer must combine all outdoor media appropriately.

4. Improvement in Infrastructural Facilities

now a day it is seen in the rural area that the lifestyle of these people have poised to a major change. Although it is not as per expectations of the people but still banking facilities, electricity, all weather roads, transportation etc. have improved the status rural people. These facilities expose them to the outside world and motivate them to enjoy better quality life. Being their knowledge improved they think not only in terms

of savings but also investment. This provides tremendous scope/ opportunities to the marketers.

5. Establishing Customer Satisfaction Centre

It is stated that markets are made and not found. Therefore marketers have started to develop customer satisfaction centers. It helps to locate services gap and the satisfaction opportunities to monitor consumers trends & competitors responses. Thus information of consumer satisfaction will flow throughout the organisation on regular basis and efforts will be taken to satisfy them.

6. Designing Appropriate Marketing Mix

Rural markets differ from urban markets in many respects. Hence companies manufacture products to suit rural demand rather than dump products on rural consumers. For this purpose the marketer need to design a different marketing mixes for rural areas. In other words the product mix should be design separately. Price mix should be considered in different way, promotion & distribution must be taken up by knowing rural area's to geographical, social, political, ^ economical aspects. It is done by the marketer, then rural markets will grow to a greater external.

7. Facility of warehousing:

The farmers need warehousing facility for the storage of his produce. During harvesting this facility enables the farmer to store his produce which is taken to the market for sale. The State Warehousing Corporation is providing warehousing facilities in the rural areas mainly to store agricultural produce and market their produce at the time when they can realize remunerative prices.

8. Increase in purchasing power:

New farming strategy is adding meaning and substance to the growing aspirations of the rural people. Remittances from Indians working abroad have also made a sizeable contribution to the growing rural income and purchasing power. Green revolution and good monsoons also add to the purchasing power of people in rural areas.

9. Employment opportunities:

The purchasing power among the rural people has increased due to increase in the income from new employment and rural development efforts launched in the rural areas. Self-employment policy with the assistance from the bank has become a great success in the rural areas.

10. Green revolution:

Rural India derived considerable benefit from green revolution. Technological breakthrough has taken place in Indian agriculture. Today, rural India generates 185 million tones of food grains per year and substantial output of various other agricultural

products. In addition it produces 15 billion eggs, 90 million broilers and 50 million tones of milk per annum. Hence in recent years a wealth generating process is on in rural India.

11. Government Policies:

The government has been making concerted efforts towards rural development. The government has invested heavily in development of agriculture animal, husbandry irrigation, electricity, dairy and khadi and village industries. The massive investment in the rural India has generated new employment new income and new purchasing power in the recent year as a part of new policy, high support prices are offered for farm products. Various measures like tax exemption in backwards areas, subsidy, concessions, incentives, assistance and literacy drive in rural areas brought rapid growth of rural markets.

12. Growing awareness:

The rural consumers have been motivated to change their consumption habits and enjoy higher standard of living by the growing awareness about better living and easy availability of information about the goods.

7.8 SUMMERY

The service industries are playing an important role in domestic and global economies. Only a performance, no transfer, intangible, perishability, variability, inseparability etc are the main features of services. To tackle intangibility, to tackle perishability, to tackle variability, to tackle inseparability are the main problems in marketing the services.

Rural marketing refers to marketing activities in the rural areas. Huge and scattered market, agriculture dependant, inadequate infrastructure facilities, traditional outlook, fast changing pattern, consumers having diverse socio-economic background, low standard of living, adjustment in marketing mix etc are the main features of rural marketing.

The factors supporting to the development of rural marketing are: Economic and agricultural development, increasing competition in urban market, Expansion of infrastructure facilities, Green revolution, Government policies, change in demand pattern, mass media.

The rural market having vast potential have to face problems like: Wide area coverage, scattered consumers, management of sales personnel, error of uniform treatment, flexible pattern of demand, lack of infrastructure facilities, Communication problem, warehousing problem etc.

As Indian rural markets have to face several problems it is the need of time to take some measures for effective marketing such as: Intensive personal selling, designing improved distribution, determining appropriate media mix, improvement in infrastructural facilities, establishing customer satisfaction centre, designing appropriate marketing mix.

7.9 EXERCISE

1. What is service marketing? What are the problems of services marketing in India?
2. Define rural marketing. Explain the nature of rural marketing in India.
3. What are the problems faced by rural marketing in India?
4. How effectively you could over come the problem of rural marketing.
5. Suggest the measures or under taken for effective rural marketing.
6. Write short notes:
 - a. Rural marketing
 - b. Service marketing
 - c. Problems of rural marketing
 - d. Features of services
7. Define the following terms:
 - a. Rural marketing
 - b. Service marketing



RECENT TRENDS IN MARKETING PART II

Unit Structure

- 8.0 Objectives
- 8.1 Introduction

- 8.2 Social Marketing
- 8.3 Green Marketing
- 8.4 Event Marketing
- 8.5 Retail Marketing

8.0 OBJECTIVES

After studying the unit the students will be able to:

- Understand the meaning and features of social marketing
- Know the meaning and importance of Green marketing.
- Explain the meaning and guidelines to Event marketing.
- Know the meaning of Internet marketing
- Discuss the types of Internet marketing

8.1 INTRODUCTION

Human attitudes, perceptions and value systems are all governed by the society we live in. The businesses can not market their goods without taking into account the buyers society. Besides they can not market goods & service at the cost of promoting social evils. Since consumer satisfaction is the ultimate goal, marketers are reworking on their marketing strategies by incorporating social issues and considerations to win the confidence & the consumer social marketing means the use of marketing principles and techniques to propagate a social cause or an idea

8.2 SOCIAL MARKETING

8.2.1 MEANING

The concept of social marketing was introduced by Philip Kotlar in the year 1971. It combines traditional approaches to social change with commercial marketing & advertising techniques. Marketing principles can be used for propagating social causes like family planning, child care, abolition of dowry, AIDS awareness, and so on. They can be used as tools for correcting attitudes of the people, such type of marketing is understood by government, social organisation, religious institutions and NGO's.

In a country like India, where people are still ignorant and illiterate, marketers should support the government to market social causes. In short social marketing aims

to influence peoples, idea and behaviour. To make it more clear we will consider some examples & social marketing undertaken by some businesses.

- a) Britannia industries have undertaken the social cause of 'save Tiger' supported by its tiger brands of biscuits.
- b) Marico has taken up the social cause of preventing heart care through the promotion and its brand Saffola etc.

Definition

"Social marketing is the design, implementation and control of programmes seeking to increase the acceptability of a social ideas, cause or practice in a target group" -Philip Kotlar

8.2.2 FEATURES OF SOCIAL MARKETING

i) Initiated by any group

Any group or organisation devoted to a cause can adopt social marketing. The idea is to do good to the people. The intension of this is to make aware of its merits and demerits, so that customer will take care and protect that aspect. For example, close-up product. Manufacturer organises teeth care week for school going children's and tells them about do's and don'ts to preserve teeth.

ii) Comprehensive presentation:

social marketing does not cover only one aspect of a problem. it is comprehensive in presentation and includes all sides of an issue. So it can be used by both the parties arguing in favour and against. For example family planning. People those who take excuse of religion and are against. Family planning are told to plan their life and that of their children. By quoting "To lead quality life, one needs to have small family.

iii) Different from social advertising

social advertising leads with the communication & public interest causes. Whereas social marketing covers issues of public good which are mostly not attended like issues of public good which are mostly not attended. Like danger of overheating, resources conservation, women's right etc.

Social marketing has been defined as "the application of commercial marketing technologies to the analysis, planning, execution, and evaluation of programs designed to influence the voluntary behavior of target audiences in order to improve their personal welfare and that of their society" (Andreasen, 1995). This definition encompasses several key aspects of the social marketing approach;

8.3 GREEN MARKETING

8.3.1 MEANING OF GREEN MARKETING

In late (eighties) 1980 a document prepared by the world commission on Environment and Development, defined sustainable development as meeting the needs of the present without compromising the ability of future generation to meet their own need. This makes essential to have environmentally friendly products.

Green marketing means promotion of products with environmental characteristics e.g. recyclable, refillable, ozone friendly, phosphate free and environmentally, friendly. But it is not limited to it. It is much wider concept and applicable to consumer goods, industrial goods, and even services some like hotels & resorts. In short green marketing includes a broad range of activities like, product modification, changes in the production process, changes in packaging and truthful advertising.

As we know pollution is the price we pay for our industrial progress, and everyone is affected by it. Industrilisation is mainly responsible for the problem of environmental pollution. It disturbed the ecological balance and gives very visible adverse effects. Here every businessman efforts are to be directed & diverted to maintain cleans and healthy environment to fulfill their social responsibilities.

Definition:-

Green marketing is the marketing of products that are presumed to be environmentally safe”

American Marketing association

8.3.2 IMPORTANCE OF GREEN MARKETING

1. Sustainable Development

The benefit of green marketing is sustainable development. Nature’s resources should be used for development and improving the quality of life of not only present generation, but also to ensure that the environment is not degraded so that the future generation does not suffer.

2. Less Pollution

Green marketing helps in reducing pollution. The technologies that are use under green technology keep pollution to the minimum and make the life comfortable & suitable to live.

3. Less Government Control

There are certain regulations made by government to protect the consumer in a different way. There are some regulations relating to environmental marketing like, Reduction of harmful goods, Modifying consumer & industries consumption of harmful goods & ensure that consumers have the ability to evaluate the environmental consumption of goods. The organisation which produces goods are in the interest of the society then there are less control of government as organisation have taken care of societies expectation.

Capital Influence

A company adopting green technology is likely to receive more capital influence not only from people within the country but also from outside. With such a good inflow of capital organisation can further or for better technology which is environmental friendly

8.4 EVENT MARKETING

Event marketing is refers to building a product marketing programme around sponsored event. It includes designing or developing live themed activity, occasions, displays or exhibit such as sporting event, music festival, fair or concert to promote a product. It is a recently pioneered in India but has taken off very well with the Indian consumers.

The above noted event are golden opportunities to the marketers to built brand associations and to improve perceived value of brand in consumers mind. The basic idea of this is to make the brand much visible as possible. Generally company decide on event marketing through the sponsorship in their effort to support causes that are close to people.

Event management companies organisations services of variety of causes including corporate events. Like product launches, press conferences, corporate meetings and conferences, marketing programs like road shows, grand opening events, and special corporate hospitality events like concerts, award ceremonies, film premieres, Launch/ Release parties, fashion shows, commercial events, private events such as weddings etc.

While doing event marketing there is need to follow some guidelines to ensure that the event gains the maximum response and the event is to manage at minimum cost. The guidelines are

i) Attaindance of potential customer

If event is meant to market a product then it has to ensure that the purchase decision maker attained the events. For this purpose it is important to kept the message across the target audience & the adequate research is to be carried out from the view point of attenuation profiles.

ii) Ensure value addition

Value addition means the benefit which is gained on the part of venue or trade show organiser.

iii) Undertake cost benefit analysis

Before the event is undertaken the cost effectiveness of promoting product should be questioned and it is essential to analyst. Cost benefit of the entire event.

Recent Trends in event marketing

In India, day-by-day event marketing is becoming more popular. The sporyorer are ready to spend lacks of rupees, for the purpose of circulating, the name within the country & abroad within no time. For e.g. film fare night event. This event marketing is not only important or restricted profit oriented companies but also made open to non-profit making organisation. For e.g. Health for all can be achieved when people understand the health's priority therefore hospitals are beginning to treat such type of marketing as seniors issues. The objective of hospital are intangible like patients satisfactions is our satisfaction. Event like free health check – up for serious citizen are sponsored by WOCKHARDT.

F - INTERNET MARKETING

Internet actually began in the early 1960s in USA, where the U. S. Department of Defence Saw it as a means of Super Computer Communication for researchers and military facilities across the country. Until its commercial explosion in 1990s, it remained relatively obscure network of linked computers used by academics, military researchers, and scientists around the world to send and received files, mails, and find or retrieve information from data base.

At present, internet, the fastest growing medium in history, offers incredible opportunities for a wide range of the people in business. As internet explore information and interaction across vast distances, business men in order to attain this gain, they gave birth to "Computer Networks". Computers in a network are linked in such a manner that data, in the form of electronic bits, flow between them. There are two components of internet marketing they are –

- B – To – B (B2B) it means business to business, where business firm sell their products & services to other business firm on the net.

- B – To – C (B2B) it refers to business to customers, where business sell their products & services to ultimate consumers on the net.

The global internet marketing revenue is expected to touch US \$ 17 billion by the end of 2009. In India, presently it is estimated to be Rs. 80 crore and within the next five years it is likely to touch US \$ 100 million. In the India internet as a medium is accepted by a wider industrial segment that includes banking, insurance, credit cards, automobiles, FINCG, clothing, telecom, education, media, tourism etc. Some of the companies brands are visible across various websites.

- **Types of internet marketing**

There are different types of internet marketing with which marketer can give details and market their products or services.

I. Web Banner

These are small rectangular graphic images which have call to action i.e. click here. These banners are placed on the high traffic websites like Rediff. Com, Times of India.com etc, in order to provides high opportunity Banners are linked to the advertisers home page in order to transfer the surfer more information at the click of a mouse.

II. Sponsorship

In this case, an entire website is sponsored by an advertiser. These sites are normally service based & get high traffic because of their utility value.

III. Pop-up windows

A pop-up window delivers the advertisement in a new window on top of the site content. When you visit any homepage, a secondary window automatically pops up continuously rotating advertisements of sponsors.

IV. Internet movies

Indian companies may take the job of making films for advertising on line. The companies are spending very heavily for advertising on the internet. Recently, the mobile giant BMW commissioned well-known film makers of Hollywood to show its vehicles and the film was exhibited in India to a select few.

V. Online boom

Online shopping is emerging as latest form marketing in India. With a PC and mobile- user, India has became one of the biggest market for on-line products.

VI. Website sponsorship

In this case, an entire web-site is sponsored by an advertiser. These sites are generally services based and get high traffic because of their utility value.

Advantages of Internet Marketing

Following are the advantages of internet marketing.

1. Global reach:

Currently internet is the only medium that provides largest coverage of global market within shortest possible time. It is preferred by the surfers because of the following reasons.

- I. It provides large range of products & services.
- II. It provides normal or time bound proposal.
- III. It gives economical marketing at global level.
- IV. It provides those channels through which consumers can request for these products / services.

2. Direct interaction:

Those who are interested in internet marketing they directly get in touch with the advertisers on net there is no place for intermediaries or middlemen.

3. Information:

Internet is flooded with information for various products and services. Buyers can obtain lots of information about the products and services they are interested in. this helps to make correct decisions.

4. Instant feedback:

Internet marketing ensures instant feedback. The advertiser can know about the acceptability of his message on the basis of inquiry or orders received. Web advertising are easily tracked.

5. Round the clock service:

Internet marketing is available 24x7 days service or round the year service. This gives convenience to the buyers who are at ease to go for internet as and when they desire.

6. Facilitates attention:

When the buyers are using internet they have to show high attention and concentration in order to make profitable deal.

Disadvantages o Internet Marketing

1. Doubtful medium:

There are so many horrid tales, that how surfers have been cheated. Therefore buyers at the time of using internet, use to see it with an eye of suspicious, as it is associated with certain scams, frauds, manipulation etc.

2. Limited use:

In India internet has not spread widely. However most of the buyers are not internet savvy. They use to purchase products with physical inspection of the product. Here internet marketing does not provide this opportunity to the buyer. Therefore they are not interest to use internet for marketing.

3. Fear factors:

Buyers are often afraid to part with their credit card number and other details because of the fear of being misused.

4. Limited appeal:

Internet is used by limited buyers. It is used by sophisticated buyers only. Internet can not compared with any other mass media like T.V. or press. There fore its appeal is restricted to this class of buyers only.

5. Junk mail:

Internet is full of junk mail (rubbish or scrap) If the user is not competent to isolate junk mail quite likely he may suffer. Junk mail needs to be ignored.

Types of Internet Marketing

There are different types of internet marketing with which seller can sale the product or buyer, by reading the messages can purchase the products. These different forms of advertising services offered on internet are as under

I. Web Banner:

These are small rectangular graphic images which usually have a call to action e.g. "Click here". These banners are placed on the high traffic websites like Rediff.com, Times of India.com, or Express India.com in order to provide high opportunity to see". Banners are linked to the advertisers home page in order to transfer the surfer more information at the click of a mouse.

II. Website sponsorship:

In this case, an entire website is sponsored by an advertiser. These sites are normally service based and get high traffic because of their utility value. e.g. Goa interactive is a site sponsored by the Goa based "Naik Group". Tourists can make hotel reservations online.

III. Pop-up windows:

A pop-up window delivers the advertisement in a new window on top of the site content. When you visit any homepage, a secondary window automatically pops-up continuously rotating advertisements of sponsors.

IV. Mailing list ads:

Mailing lists are emails sent out to a group of subscribers at regular intervals focusing on a particular topic. These emails usually give tips, hints free of cost. These are subscribed by advertisements that are interspread throughout the body of the email. Since email is lengthy text, ads are also given in 6-8 lines text messages with clickable address to lead them to the advertisers offer.

V. Ads on chat:

Chat is a service available on the net for two or more people to converse with one another through their keyboards. Normally co. provides free of cost chat services

G - TELEMARKETING

Meaning of Telemarketing

Telemarketing is a form of direct marketing. It is one of marketing strategy. It is very well to use the phone to sell products and services. It is also known as phone sales" or cold calls. Cold calls means the recipient of the call has not requested that the telemarketer should contact them.

Telemarketing comprises the integrated and systematic application of tele communications. It retains personalised customer relations. Though it is non-face to face customer contact, but it is economical and time saving and quick problem solving marketing activity. Generally manufacturer use to establish this type to marketing for the purpose of answer dealers questions, about inventory management, service and replacement of parts. Under this type of marketing customers have given toll –free number to dial & deal. In short use can say telemarketing is nothing but marketing conducted over the telephone.

Advantages of Telemarketing

Telemarketing has the following advantages

I. Building customer relationship

Telephone marketing helps to built customer relationship. The marketer can have a dialogue with the customer and learn about their specific needs. Such

interaction helps the marketer to offer individualized offer of product and incentives.

II. Reduced cost

Here marketer is getting all information at one dial or click, which reduces sales cost greatly. Here marketer need not sent his staff on visit or don't have to maintain a store and bear the cost on rent, insurance and facilities. They can also produce digital catalogue for less cost.

8.5 RETAIL MARKETING:

8.5.1 INTRODUCTION

The word Retailer is derived from the French word “retailier means “to cut a piece off” or “to break bulk”. Here in simple word we can say a retailer cuts large stock of goods into small pieces and sells them to final consumers. In short a retailer is a person or organisation that offers something for the sale to a final consumer. Retailer is the last person in the chain of distribution. Therefore he is called important linker in distribution chain. He provides number of benefits to customers as well as to the sellers.

Definitions

- I. “Retailing includes all the activities involved in selling goods or services to the final consumer for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing”.

Philip Kotlar.
- II. According to William Stanton “Retailing consists of the sale and all activities directly related to ultimate consumer for personal, non business use”.
- III. Retail trade may be defined as, “A trade which consists of selling to ultimate consumer of variety of products in small lots”.

8.5.2 MAIN FEATURES OF RETAILER

- The retailer is the last link in the chain of distribution of goods.
- He is a middleman between the wholesalers and the consumers.
- He gets his supplies usually from wholesalers and sometimes directly from the manufactures.
- He sells in directly to consumers.
- He sells in small quantities.
- He deals in a variety of goods.

8.5.3 SERVICES TO CONSUMERS:

- The retailer sells goods in small goods in small quantities according to the requirements of the consumers.
- The retailer keeps adequate stock of many goods needed by his customers every day. Therefore the customers need not stock their requirement from the retailer.
- The retailer operates mostly in residential areas. The consumer finds it very easy.
- The retailer brings new products and new varieties to the notice of the consumers.
- The retailer keeps various varieties of a product of different firms.
- He provides variety of goods for selection to his customers.
- The retailer grants credit facilities to reliable customers. It is much helpful to salaried employees.
- Sometimes customers seek the guidance of the retailer in the choice of goods when they have a big variety to choose from. The retailers advise the customers about the selection of goods.
- Provisions of after sales service is yet another service rendered by retailers. For articles like machinery, typewriter, radio etc. the retailer renders after sales service either free of cost or at nominal cost for at least a few month from the date of sale.
- Some retailers also undertake or door delivery service.

8.5.4 SERVICES TO MANUFACTURER:

- Since the retailers are in direct touch with consumers, they are able to know what the consumers feel about the product.
- This information is passed on to manufacturers through the wholesalers. Therefore, goods are produced according to the requirements of the customers.
- The retailers buy the products from the wholesaler and push them into the market. This relieves the manufacturer from diverting their attention to marketing. Thus, the manufacturer is free to concentrate on production.

8.5.5 RECENT TRENDS IN RETAILING IN INDIA

Retailing has a long history in India. These retailers are operating in every corner of the country. They provide different services to the customer and are very popular in every part of the country.

Now a day, as India's retail sector is fast growing, most of the big corporate houses are also attracted toward this sector and have started their operations in big, cities, as well as in rural areas too. They are making rapid progress in retailing, and may

giving challenges to traditionally well developed retail sector, which was always in unorganized form.

Organized retailing is now getting popularity in the metros and urban areas. Malls are now a part of our personal and social life. Visiting malls and purchasing goods, for regular, or occasional is becoming fun and enjoyment of today's customer. With the introduction of such fashion there are some new trends started developing which are as under:

1. New retail forms

New forms and combinations of retail organizations have emerged. e.g. super markets includes bank branches and fitness club. Petrol pumps include food stores. Shopping malls, includes mini theatres and so on.

2. Expanding computer technology

Revolution has been place in computer and information technology. Many retailers are using computer in their day to day functioning. This increases their efficiency. The data is not only permanently stored but also can be referred to quickly. This helps retailer to decide what and when to order.

3. Increase in competition

There has been a tremendous increase in competition in retailing. Different types of stores such as discount stores, department stores etc. are competing with each other by dealing in the same type of merchandise.

4. Growth of non-store retailing

Retailing activities resulting in transactions that occur away from a retail store are call non-store retailing e.g. telemarketing internet marketing automatic vending etc. Around 15% of the retail sale is from non-store retailing. this proportion is growing steadily.

5. Introduction of new stores

In a retail sector, no. of new types of outlets are coming up and are available now. These outlets includes, Hypermarkets, super-markets, second stores, plus size store etc. Each of there are explain in short as under.

1. Hypermarket

Hypermarkets developed during 1970s. these are very large store and have combined features of super market and a general merchandise store. There store sells

a wide range of foodstuffs plus large range of other foods. They function on self-service principles. They enjoy the advantages of low cost and large turnover. Common example of hypermarkets are Big Bazaar, Food Bazaar, etc.

2. Super market

These stores operate on cash and carry principle supported by economical prices. They are often called self-service stores. These stores must have locational advantages and provide to customers parking facilities. They used to have mass advertising and displays. They accept credit cards.

3. Second store

Second stores increasingly becoming an integral part of companies pricing strategy. In these outlets, goods with minor defects are sold. The consumer prefers to visit a well decorated second shop which looks like a regular shop. Some companies like, Raymond, Reebok, Nike or Levi's are maintaining second store in big cities.

4. Plus-size stores

It is one revolution in the field of retailing. These are specialty stores. They provide ready products to use, that too in fashionable manner & plus size, most of the shops found in garments.

5. Changes in consumer requirements

This has given corresponding change in retailing. The requirements of consumers are fast changing for example Customers are now quality conscious and not price conscious. They prefer to purchase all requirements under one roof, at the time of purchase they want all sorts of conveniences, like food, parking, entertainments etc, as well as they want all these things should be fastly & quickly along with wide choice for their selection. So all these requirements of consumers are met easily by retailers, with the option of malls. So this is new trend in marketing.

I. Two way communication

In this marketing, the seller establishes conversations with the customers rather than. Just 100 king at numbers or profiles. Again the customer react at the same time and settle down all queries or problems which helps to enhance their relationship & dealings.

II. Quick adjustment to market conditions

Under this type of marketing marketer without leaving his office use to get all sorts of information from the customers through their answers. It's advantage is, it enables the marketer to adjust or change quickly as per the changes took place

in the market. Then it may be in terms for price, quality or quantity of the product or services.

Disadvantages / Limitations

I. No visual contact:

One of the major limitation is the lack of visual contract. Therefore the sales person cannot use the gestures or facial expressions. Some customers can feel uncomfortable when products are pushed to them over the phone.

II. Short memory:

A telephone conversation can be easily forgotten once the customer has hung up the handset. It is therefore necessary to confirm in writing even through a simple letter the details phone conversation.

III. Problem replace/ exchange:

Customers find it difficult to exchange products or replace the defective item. Quite often lot of time is wasted and the customer is put to inconvenience.

IV. Pre-purchase of inspection of goods:

In India customer often, like to inspect the goods before they place an order or buy the goods. Direct marketing do suffer on this account.

V. Irritations:

Telemarketing calls, are many times not welcomed by customers and are be quite irritating. There are some organizations fighting to make this practice illegal, claiming it amounts to harassment.

Case Study:

CASE STUDY MARKETING

Case No 1.

Study the case given below and answer the questions given at the end:

FINE FURNISHINGS LIMITED

Fine Furnishings Limited is a small chain of distributors of good-quality office furniture,carpets, safes and filing cabinets. The company keeps in touch with advances made inthe office furniture field worldwide and introduces those products which are in keeping with the needs of the market in terms of design, workmanship, value for money and technical specifications. It is contended that furniture purchased is a capital

investment, and a wise decision can help the buyer save on future expenses, because cheaper alternatives have to be replaced more frequently. Fine Furnishings trades only in good-quality furniture which is sturdily constructed. Differences between its products and cheaper, lower quality ones are well known to those who have several years of experience in the business. An important feature, the company feels is the availability of a complete list of components of the furniture system. This enables customers to add bits and pieces of matching design and colour in the future. Such components are available for sale separately. Systems are maintained in stock by the company for a number of years, and spare parts for chairs and other furniture are always available. The company has experienced a downturn in trade over the past two years. In addition, it had to trim its profit margins. Last year, it barely broke even and this year it is heading for a small loss for the first time in the company's twenty years history.

Questions:

1. Advise the company in relation to its product mix. How will your recommendation affect the company's image ?
2. Advise the company in relation to its stock holding policy. How will your recommendations affect customer service ?
3. Suggest ways in which promotional activity might help the company.

Case No. 2

5. Study the case given below and answer the questions given at the end.

STAR ENGINEERING

The annual planning process was well under way at the Mumbai headquarters of Star Engineering. In two week's time the final international marketing plan must be presented to the board of directors. Star Engineering was established in 1950. It had grown from a local to a regional and then a national company. In the 1980s the company became active in exporting. It had been particularly successful in the Middle East and in South East Asia. Competition was particularly strong in the United States and in Japan. Because of this, star had, in the past, made a policy decision to avoid entering these two markets. Star currently has 65 percent of the Indian market, in total worth \$200 million. In the middle East, it has 20 percent of a market worth approximately \$100 million, while in South East Asia it has 25 percent of a market worth \$ 180 million. The main strategic thrust of the planning process this year is an expressed corporate aim to move towards world leadership, or, as the company chairman preferred to call it, to become the world star, instead of a rather modest world player. Company sales turnover last year had grown by only 1 percent, to \$ 210 million. The world recession impacted particularly severely on the civil engineering industry, Star's main customer group, so in all the circumstances a 1 percent increase was a very

creditable performance. Net profits, on the other hand, were reduced by 11 percent to \$ 16 million. During the late 1990s Star Engineering began a process of becoming a more international company. Initially all non-Indian sales came from exporting. However, sales offices were set up in Dubai and Singapore. Later, a distribution depot was established in Singapore. This helped sales through improved customer services and the reassurance to customers created by Star's tangible presence. In the future the company intends to manufacture in several other sites in addition to India. This would create some benefits for Star's international performance, but would also involve increased risks, particularly those created by political change. The company needs to develop a more international marketing culture. Currently, it is unsure how to proceed?

Questions:

1. Discuss the marketing implications of the process of increased international involvement of Star Engineering.
2. Comment upon the cultural implications of the proposed organizational change.
3. What approach would you propose to Star Engineering for evaluating existing and new overseas markets given its existing level of expertise and involvement?

Case No.3

In the current scenario of recession and low consumer motivation various companies are being proactive in their marketing approach. Assuming that you are the Marketing Manager of an FMCG company planning to introduce Ready to eat food. Suggest a suitable STP strategy for the same.

Case No.4

A progressive company is contemplating to launch a cordless electric broom as an innovative product. Detail out the marketing mix for the product and formulate a suitable marketing strategy for this breakthrough product.

Case No.5

Study the following case situations and answer the questions given at the end
Case Situation : The amusement park with a successful history was now facing problems. It had its first money losing last year followed by another one now. The park had three ways to bring in more revenues : increase visit per customer, increase average spending per visit or attract new customers. Because of a mature industry all three were hard to do. As pulling in people from broader geographical area seemed an unlikely proposition due to the wide availability of such parks, attracting new customers required new value proposition. With this background, it was proposed to offer a "preferred guest card" to win more business from moneyed and time pressed group of people. Under this plan, visitors could pay an additional fee to get free rein of the park: Card Holders would enter the ride through separate lines which would give them first crack and they would be seated immediately at any in-park restaurant. It was hoped that this plan will help to up-sell the people who are already coming to the park. And by making it possible to spend less time in queues, the guest card will also attract a different type of customer - time starved, high-income professionals and their families, who might otherwise avoid the whole experience. However, certain objections were

raised against such a scheme. "I don't even think it's a great experience for the preferred guests. Who want to feel all that animosity diverted at them? The key to this business is the customers feeling good while they are here. With this scheme neither side's coming back" commented an executive. A possible solution given to this was to separate the lines and limiting the percentage of special tickets issued on any given day. If the 'preferred guest card' scheme was not implemented the park might be forced to raise price across the board.

Questions:

1. Evaluate the 'preferred guest card' scheme and give your recommendations to the management.
2. Describe the demand patterns that you would expect at an amusement park and the underlying causes.
3. Suggest some ways of managing waiting lines at amusement parks.

Case No. 6

Mr. 'X' has developed a new product which will help people to get rid of the habit of smoking. The product is made of some herbs and has no side effect. Mr 'X' is now in the process of giving a suitable name for this Unique Product and subsequently wishes to market it in Western India. Assuming that you have been hired as a consultant, suggest suitable answer for the following questions.

Questions :

1. Suggest an appropriate name for the product and justify your choice.
2. Explain the SIP strategy for the above product.
3. How would you go about in creating awareness and educating the target audience for the product?

Case No. 7

According to Management Guru Peter Drucker , "There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself . Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available." Even if Drucker is right in claiming that the aim of marketing is to make selling superfluous, what are the practical problems associated with 'knowing and understanding' the customer so well that the product or service sells itself ?

1. What are the objectives of sales promotion ?
2. Suggest some sales promotion schemes for increasing the sales of the following:
 - (i) Bath Soap
 - (ii) Instant Coffee



SECTION II

9

HUMAN RESOURCE MANAGEMENT

Unit Structure

- 9.0 Objectives
- 9.1 Introduction of HRM
- 9.2 Definition and Nature of HRM
- 9.3 Scope of HRM
- 9.4 Importance of HRM
- 9.5 Functions of HRM
- 9.6 Role of HR managers in changing business environment
- 9.7 Summary
- 9.8 Exercise

9.0 OBJECTIVES

After studying this chapter the students will be able to:

- Understand the concept HRM.
- Know the definition of HRM.
- Evaluate the scope of HRM.
- Identify the importance of HRM.
- Elaborate the function of HRM.
- Find out the role of HR managers in the changing business environment.

9.1 INTRODUCTION

Human Resource management is concerned with managing manpower to improve individual, group and organisational effectiveness. Human resources need to be managed as organizations can prosper and progress only through the committed and creative efforts and competencies of their human resources HRM involves human

resource planning, recruitment and selection, training and development, placement, motivation, performance appraisal, career development, promotion and transfer of human resources. So that they can effectively contribute to the success of the organization.

9.2 DEFINITION AND NATURE OF HRM

9.2.1 DEFINITION

According to Flippo, “HRM is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are achieved”.

9.2.2 NATURE OF HUMAN RESOURCE MANAGEMENT

The nature of Human Resource Management can be stated as follows.

a) HRM is a process

Human Resource Management is a process. It perform the main functions such as acquisition function includes human resource planning, recruitment and selection of employees. Development function is concerned with training and development of employees. Motivation function includes providing recognition and reward to the employees and maintenance function is concerned with providing good working conditions, welfare facilities etc.

b) Focus on objectives –

HRM gives more importance on the accomplishment of objectives. The objectives may be individual or personal objectives of the employees, Group or departmental objectives, organizational objectives, and societal objectives.

c) Universal Application –

HRM is all pervasive. It is required for all organizations, trading as well as non-trading, commercial as well as non-commercial business organization. It is required at all levels and for all activities. Therefore it is universal applicable to any kind of organization.

d) Continuous in nature –

HRM is a continuous activity. Organisations need to manage human resources on a continuous basis. Organisations’ requirements nowadays changes very fast. In order to survive in this competition environment. It is essential that human resource requirements are evaluated continuously.

e) Integrated use of subsystem –

HRM involves various functions like employee training, formulating promotion and transfer policies, applying various motivational theories etc. Emphasis needs

to be placed in all possible areas so that individual, group and organizational effectiveness is enhanced.

f) Interdisciplinary –

HRM is interdisciplinary. Effective HRM involves acquiring knowledge from various disciplines such as psychology, economics, philosophy, communication, organization behavior and sociology. Since HRM aims at improving individual, group and organizational effectiveness, it involves the use of various disciplines of social sciences.

g) Development of Team spirit –

The aim of HRM is to develop and maintain team spirit in the organisation i.e. groups and departments. Such team spirit is required in every organisation so that the people work effectively together and contribute to the success of the organisation.

h) Development of professional attitude –

Formal coaching and training along with a professional body to monitor the professional activities is essential for an activity to be classified as a profession. HRM is a profession as there are number of college offering professional management education. Furthermore National Institute of Personnel Management overseas management practices.

i) Long-term Benefits –

HRM brings long-term benefits to the individuals, organisations and the society as well. Employees gain long-term benefits by way of better monetary and non-monetary incentives. The organisation can gain by way of higher returns on investment, and better corporate image. The society can be benefited by way of better quality of goods and services.

j) Dynamic –

HRM is dynamic in nature. Changes in the employment practices, labour laws etc. are taking place very fast. The organisation has to keep itself abreast with these developments and make necessary changes in labour policies in its organisation.

9.3 SCOPE OF HUMAN RESOURCE MANAGEMENT

The scope of HRM starts with entry of a person in the job and ends with his exit from the job. Following are the scope of human resource management.

a) Human resource planning –

Human resource planning involves forecasting the future demand and supply of human resource. It involves finding out the number of skilled, unskilled and semi-skilled people required. It also involves finding out the possible ways to ensure that supply of human resource meets demand continuously.

- b) **Job analysis –**
Job analysis is a process of collecting information about the job. Job analysis involves job description i.e. details about the job and job specification i.e. qualities and qualifications necessary to perform the job
- c) **Recruitment –**
Recruitment is a process of finding out and attracting capable people for the job. The process starts with finding of new recruits and ends when applications are submitted.
- d) **Selection –**
Selection is the process of picking individuals from the various applicants. Individuals who have necessary qualities and qualifications suitable for the job.
- e) **Training and development –**
Training and development refers to an attempt made by the organisation to improve the current and future performance of the employee by imparting certain skills, abilities and knowledge.
- f) **Performance appraisal –**
It is a systematic evaluation of individual's performance on the job. Generally such evaluation is done with respect of certain predetermined standard in relation to job knowledge quality and quantity of output, co-operation, versatility etc.
- g) **Job evaluation –**
Job evaluation is the process of analysing and assessing the various jobs systematically in order to ascertain their relative worth in the organisation. For example job of a clerk or a manager. Job evaluation helps in determining salary differentials.
- h) **Executive remuneration –**
Executive is considered to be an individual who is in a management position at the highest levels. HRM function involves deciding the amount to be paid as salary, bonus, commission and long term incentives etc. to the executives.
- i) **Motivation –**
Performance depends upon ability and motivation. Employees have to be motivated either by offering them monetary or by offering non-monetary benefits.
- j) **Safety and health –**
HRM scope also involves ensuring safety to employees from professional hazards. It also involves ensuring that they don't work in an unhygienic environment.
- k) **Employee welfare –**

Employees' welfare services includes workers recreation facilities like gymkhana, conveniences such as provision of drinking water, washbasins etc. distribution of work hours, canteen services and so on. Proper employee welfare would improve their productivity.

l) Employee Communication –

HRM function involves developing a healthy communication between various members of the organisation. Effective communication is important for performing basic functions of planning, organising, leading and controlling in an effective manner.

m) Promotion and transfer –

Promotion and Transfer involves improvement in pay, prestige, position and responsibilities of an employee. Formulating promotion policies, transfer policies, selecting individuals for promotion or transfer etc. are included in the scope of human resource management.

n) Trade unions –

Trade unions are voluntary organisation of workers formed to promote and protect their interests through collective action. HRM should ensure that a healthy relationship is developed between the management and the union which will create a conducive environment for work.

o) Ethical issues in HRM –

Ethics refers to a system of moral principles. It is a study of right and wrong. It is the duty of HRM department to formulate norms for the employees of the organisation.

9.4 IMPORTANCE OF HRM

The main importance of HRM is as follows –

a) Availability of competent manpower –

HRM is of vital importance to a business organisation. It acts as a powerful tool for achieving its objectives. It ensures effective utilisation of human resources through scientific selection, training and development and motivation. It ensures that right people are available as competent manpower at the right time and at the right place.

b) Effective use of manpower –

HRM facilitates not only the availability of competent manpower, but it also ensures effective use of manpower. After selecting employees, they are placed at the right place of work. Proper placement helps to make effective use of manpower.

c) Motivation to manpower –

HRM facilitates motivation to manpower. There is a constant need to motivate manpower by providing rewards and incentives. Human resource managers make attempt to devise the best possible compensation packages to the employees. Nowadays, in professional firms, employees are rewarded with performance linked incentives. Highly motivated employees put in their best efforts to achieve organisational objectives.

d) Morale of employees –

Human resource manager constantly makes efforts to improve employees' morale by inviting suggestions from group members, providing groups incentives etc., because employees work in a group. Team work is vital to the success of the organisation. Therefore it is essential to improve morale of the employees.

e) Development of employees –

HRM facilitates career development of employees. In the present business world, manpower is one valuable asset of every business organisation. It's stability, growth and prosperity depends on efficient loyal and creative people. Naturally every progressive and professionally managed organisation must attract, maintain, develop motivate and utilise such employees in a purposeful manner. Therefore human resource management develops the employees.

f) Working relationships –

HRM establishes and maintains desirable working relationship among all the members of the organisation. Authority and responsibility of each job is clearly defined, and its relations with other jobs in the organisation clear lines of authority and responsibility develop good relations between the superior and subordination and also among the various departments.

g) Corporate Image –

Effective human resource management is required to develop and improve corporate image in the minds of various stakeholders - customers, employees, shareholders and other members of society. The practices adopted by human resource managers have a direct impact on the corporate image of the organisation.

h) Social Objectives –

HRM plays an important role in fulfillment of social responsibility of the organisation. Through effective training and development, employees are motivated to produce quality goods and services and to take appropriate measures towards social development including environmental conservation. Business firm fulfill their corporate social responsibility

i) National significance –

HRM is also significant from the nation's point of view. The efficient and effective utilisation of nation's natural, physical and financial resources depends upon commitment and dedication on the part of the people. Therefore, effective HRM

is required to speed up the process of economic development of a nation, which in turn would bring peace and prosperity to the nation.

In brief these are the different importance of human resource management.

CHECK YOUR PROGRESS

1. "The scope of HRM starts with entry of a person in the job and ends with his exit from the job." Explain.
 2. Explain the following points of the nature of HRM
 - a. HRM is a process
 - b. Universal Application
 - c. Continuous in nature
 - d. Interdisciplinary
 - e. Development of Team spirit
 - f. Dynamic
 3. Enlist the points showing the importance of HRM.
-

9.5 FUNCTIONS OF HRM

HRM has to perform various functions. These functions can broadly divided into two categories i.e. Managerial functions and Operative function. Following are the various functions of HRM.

a) Human Resource planning –

HRM facilitates human resource planning. HRP is a process of identifying manpower requirements in terms of quality and quantity, to undertake various activities of the organisation. For effective planning the human resource manager has to find out the trends in labour market, expectations of prospective employees, labour laws.

b) Acquisition function –

Acquiring the manpower required by an organisation from time-to-time. The basic principle in acquisition is "right man for the right job", it includes manpower planning and forecasting, recruitment, selection, appointment, placement and induction of employees so as to have a team of efficient and capable employees for the benefit of the organisation.

c) Placement function –

The HR manager is also responsible for proper placement of employees in the organisation. Placement involves assigning that job for which the selected candidate has the skill and aptitude. It brings job satisfaction to employees and higher production to the organisation.

d) Performance Appraisal –

The HR manager may be involved in designing or undertaking performance appraisal programmes in the organisation. The performance of the employees should be monitored and reviewed periodically.

e) Induction training –

The HR manager have to provide proper training to the new selected employees, when a new person is selected he is given induction training where the newcomer is made aware of the procedure, practices, systems etc. prevailing in the organisation.

f) Carrere development –

HRM facilitates career development of the employees in the organisation. Employees expect that the organisation should help not only to plan the career but also give them an opportunity to develop properly in their career by properly synchronising individual and career goal.

g) Employee's welfare –

HRM offered various welfare facilities to the employees. They include medical, educational, recreation, housing, transport and so on. These facilities are given for raising their efficiency and also for making their life happy. Welfare facilities create efficient and satisfied labour force. To introduce new labour welfare facilities and to maintain the existing facilities is one of the functions of personnel management.

h) Compensation function –

The compensation to be paid to the employees has to be finalised. The compensation should be such that it motivates the employees to put in their best efforts. Nowadays companies are offering flexi compensation plans whereby the employees are given the choice to select any plant out of the multiple plans offered to the employees.

i) Maintaining cordial relations –

This HR function relates to maintaining good relations between management group and other groups of employees, particularly operative staff. This function involves the designing of industrial relations system, managing discipline, settlement of employee grievances and managing dispute between management and operatives effectively.

j) Maintenance Function –

HRM is concerned with the maintenance function. It is necessary to maintain physical and mental health of the employees. Companies offer various fringe benefits such as provident fund, medical reimbursement, educational expenses, maternity benefits, group insurance etc.

9.6 ROLE OF HR MANAGERS IN THE CHANGING BUSINESS ENVIRONMENT

Human Resource manager's role is evolving every day as the business is becoming more complex nowadays. The role of HR managers should be seen in the context of many companies going global.

a) Developing strategy –

It is essential to devise a strategy for developing various soft skills, sensitising employees with different cultures, motivating employees etc. as this will help them to perform better. HR managers need to align the HR function with the corporate strategy.

b) Proactive Action –

In the current challenging environment, HR managers need to take proactive actions rather than reactive actions. Proactive actions help to handle activities or issues effectively before any issue becomes a problem for the organisation. For example, due to increased mobility of employees, there is good degree of labour turnover in several organisations. As a result, organisations lose talented people. Therefore, professional HR managers design programmes and policies to reduce or overcome the problems of exodus before it takes place. The HR manager should develop programmes that results in employee commitment to the organisation.

c) Collective bargaining and labour participation in management –

Both activities are useful. HR manager has to play a key role in the participative management techniques. However introduction of participative management is difficult due to the attitude of trade unions. How to secure co-operation of employees and their unions in this regard is one challenge before the present day personnel manager.

d) Developing Integrated HR system –

In HR system there are several variables. The variables include programmes and policies. The policies are in respect of recruitment and selection, induction, training and development, transfer and promotion, career development and compensation. All the policies and programmes must be designed and integrated with each other. So as to create a highly dedicated and committed workforce. For example right from the recruitment and selection stage to placement and promotion, the HR manager must adopt systematic and scientific procedures.

e) Developing employee commitment –

Employee loyalty is on the decline nowadays because of the number of opportunities available nowadays to the employees. So the HR manager has to device personnel strategies in the form of monetary and non-monetary incentives that they don't leave the organisation.

f) Human Resource Research –

Nowadays, professional organisations undertake research on different issues of management including HRM with a view to solve problems facing the organisation. The HR research enables organisations to evaluate the current HR policies and practices adopted by the organisation vis-a-vis the competing firms. It also helps managers to gain insights in the new HR policies and practices adopted by firms in other industries, and also the competing firms. Therefore, HR manager has to play an important role in undertaking HR Research.

g) Industrial relations –

A personnel manager has to face many challenges in the area of industrial relations. Co-ordial industrial relation is difficult to maintain due to excessive demands of employees and lack of constructive approach on the part of trade union leadership. Industrial dispute developed even due to minor causes and disturb the orderly functioning of the industrial unit. How to maintain co-ordial industrial relations over a long period and have to maintain meaningful communication with the employees are two problems before HR manager.

h) Career development –

Employees nowadays are highly career oriented. HR department has to help them in building their careers by properly harmonising employee goals with organisational goals. HR departments has to undertake various training programmes to find out the aptitudes, expectations, goals etc of the employees and then chart out a career development program for each of them.

i) Technology –

Technology is changing very fast. This is changing the job profile and the attributes necessary to perform the job effectively. HR department should encourage the employees by arranging various training programmes for them to enable them to continuously learn new skills and technology must be understand in order to improve their productivity.

9.7 SUMMERY

HRM is concerned with managing manpower. Nowadays human resources are treated as business assets. The nature of HRM is: it is a process, it focuses on objectives, it is all pervasive, it is a continuous activity, it involves various functions, it is interdisciplinary, the aim of HRM is to develop and maintain team spirit, it develops professional attitude, it brings long-term benefits, it is dynamic in nature.

HRM includes Human resource planning, Job analysis, Recruitment, Selection, Training and development, Performance appraisal, Job evaluation, Executive remuneration, Motivation, Safety and health, Employees' welfare, Employee Communication, Promotion and Transfer, Ethical issues in HRM etc.

HRM is important as it: provides competent manpower, ensures effective use of manpower, facilitates motivation to manpower, improves employees' morale, facilitates

career development, establishes and maintains desirable working relationship, improves corporate image, plays an important role in fulfillment of social responsibility.

The main functions performed through HRM are: Planning of human resources, acquiring the manpower required, Placement function, undertaking performance appraisal programmes, providing proper training, facilitating career development, offering various welfare facilities, finalising the compensation to be paid to the employees, maintaining good relations between management group and other groups of employees, maintaining the physical and mental health of the employees etc.

The role of HR managers in the context of globalization is: to devise a strategy for developing various soft skills, to take proactive actions, to play a key role in the participative management techniques, to develop Integrated HR system, to device personnel strategies in the form of monetary and non-monetary incentives, to undertake research on different issues of management including HRM, to face many challenges in the area of industrial relations, to help the employees in building their careers etc.

9.8 EXERCISE

- a) Define HRM and explain its nature.
- b) What is HRM? Discuss its scope.
- c) Explain the importance of HRM.
- d) Explain the functions of HRM.
- e) Discuss the role of HR managers in the changing business environment.



10

HUMAN RESOURCE PLANNING

Unit Structure

- 10.0 Objectives
- 10.1 Introduction of HRP
- 10.2 Definition of HRP

- 10.3 Job Analysis
- 10.4 Recruitment
- 10.5 Selection procedure
- 10.6 Employment Tests
- 10.7 Interview
- 10.8 Placement
- 10.9 Induction
- 10.10 Summary
- 10.11 Exercise

10.0 OBJECTIVES

After studying this chapter the students should be able to.

- Understand human Resource planning.
- Know the definition, and importance of HRP.
- Evaluate the steps in HRP process.
- Define job analysis and understand the uses of job analysis.
- Classify an appropriately different source of recruitment.
- Know selection process.
- Explain the types and role of employment tests.
- Explain the types and role of interview.
- Understand the importance of placement and induction

10.1 INTRODUCTION

Human resource planning is difficult as the organization has to find out its growth rate in future, areas in which it would expand and diversify its operations, the technological changes that would take place, the economic policies of government, availability of human resource and so on. Further more after people are recruited they have to be trained, necessary skills have to be imparted so that they can be properly placed in the job.

10.2 DEFINITION OF HRP

10.2.1 DEFINITION

“Human resource planning involves identifying, recruiting, training and placing people at right time and place in order to maximize output.”

10.2.2 IMPORTANCE OF HUMAN RESOURCE PLANNING

The following points suggest the importance of human resource planning.

a) Meeting manpower needs –

Every organization needs adequate and properly qualified staff for conducting the regular business activities. HRP is useful for meeting the growing and changing human resource needs of an organization.

b) Recruitment and selection –

A proper forecasting of personnel recruitments enables the organization to determine proper sources of recruitment. The organisation can also adopt a proper selection procedure depending upon the needs of the jobs. Proper tests and interviews can be designed to select the right candidate for the right job.

c) Placement of personnel –

HRP facilitates placement of newly selected personnel in different departments as per the qualifications and also as per the need of different department it means fitting the right person at the right place of work. Proper placement brings job satisfaction to the employees and enhances employee's efficiency.

d) Performance appraisal –

HRP assists in performance appraisal of the employees in the organization. Performance appraisal refers to identification of strengths and weaknesses of the employees, relating to their jobs.

The performance appraisal is conducted to find out whether the existing work-force has the necessary qualifications and qualities as per the job requirements. If there are weaknesses, then additional training or some other measures can be undertaken.

e) Promotion and transfers -

Generally in an organization people are transferred to another location or promoted if found competent. HRP helps in identifying out the right candidate for promotion or transfer.

f) Training –

HRP ensures training of the employees in the organisation. Training involves imparting knowledge and developing attitudes, skills and social behavior of the employees. HRP identifies the training needs of the personnel. If the personnel lack knowledge and skills, then necessary arrangements can be made by the organisation to provide training.

g) Determine future personnel needs –

It is necessary to find out the future personnel needs of the organisation. Many companies are going global furthermore environment is very dynamic, so it is becoming very difficult to predict the exact requirements. The company growth rate and the industry growth rate are indicators of finding future personnel needs.

h) Adjusting manpower requirements –

A situation may develop in an organization when there will be surplus staff in one department and shortage of staff in some other department. Transfer and promotion are made for meeting such situations.

i) Career development –

HRP facilitates career development of the employees in the organisation. Career development refers to developing career of the employees in the organisation. HRP is conducted taking into consideration the long range plans of the organisation. The plans are made known to members of the organisations. The employees can plan for their careers within the organisation.

j) Avoid surplus staff –

Surplus staff is one which does not contribute to the productivity of the organisation. Such a surplus staff increases the cost of production. Planning of human resource ensures that there is no surplus staff in the organisation.

k) Motivation of personnel –

HRP is concerned not only with the identification of the personnel in terms of quality and quantity, but it is also concerned with the improvement and motivation of the human resources. The organisation would make every possible effort to have dedicated and committed personnel at all levels in the organisation.

l) Help in strategy formulation –

Various marketing, management, finance strategies are formulated in the organisation. Strategies are plans for future. These strategies would be effective and relevant only when the employee has an idea about the various resources including human resource. HRP guides him in this respect.

10.2.3 THE PROCESS OF HRP

The process of HRP is crucial and involves many steps. Establishing staffing needs as per the organisational objectives and plans is the starting point of HRP process. For this, human resource forecasting is necessary.

Following are the steps in the HRP process.

a) Analyzing organizational plans –

To begin with, the objective and plans of the company are analyzed. Plans concerning technology, production, marketing, finance, expansion and diversification give an idea about the volume of future work activity. Each plan can further be analysed into sub-plans and also prepare a time schedule to achieve the objective.

b) Forecasting demand for HR –

The next step involves forecasting the short term and the long term demand of various departments of the organisation in particular and of the industry in general. This depends upon the expansion and diversification plans of the organization. Such a forecasting helps in preventing surplus or shortage of staff.

c) Forecasting supply of HR –

The HRD manager should also forecast the availability of manpower. The required manpower may be available within the company, or they may be required to be hired from the labour market.

d) Reconciliation –

The next step involves reconciling or matching the demand with supply. If it is not reconciling, i.e. if the demand is likely to exceed the supply then the HR team should try to find out if people can be recruited from other places which may even include overseas recruitment.

e) Finalizing action plan –

After having identified manpower gap, plans are prepared to bridge these gaps. Plans to meet the surplus manpower may be redeployment in other department / units and retrenchment in consultation with trade unions. Employees may be asked to quit voluntarily through golden handshake. Deficit can be met through recruitment, selection, transfer, promotion and training programmes.

f) Monitoring HR requirement –

The organisation needs to monitor the requirement of HR. It requires necessary action to be taken. It is important to update manpower inventory periodically. Appropriate changes in the manpower plans should be made in the light of rapidly changing environment.

In brief above stated all steps are involved in the human resource planning process.

10.3 JOB ANALYSIS

10.3.1 MEANING AND DEFINITION

A job may be defined as a sum total of task, duties and responsibilities which is assigned to individual employees.

After a job has been defined, it is analysed that each task is described in detail which is called as job analysis. Job analysis is the starting point of recruitment and selection. It is a systematic process of collecting and studying information about the various jobs in the organisation.

According to Edwin flipper –

“Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job”.

10.3.2 USES / IMPORTANCE OF JOB ANALYSIS

Job analysis is the foundation of many human resource management programmes. Job analysis is important due to the following.

a) Organizational structure and design –

By classifying job requirements and the interrelationships among jobs, responsibilities at all levels can be specified. This help to promote organizational efficiency and effectiveness. It also minimize overlapping or duplication of work.

b) Facilitates human resource planning –

Job analysis provides useful information for forecasting manpower requirements in terms of knowledge and skills. It helps in determining quality of human resources required in an organization. In short, job analysis is an essential element of effective human resource planning.

c) Facilitates recruitment and selection –

Job analysis is the starting point of recruitment and selection. Properly analysed jobs can be advertised effectively. Only the suitable candidates apply for the job. This facilitates proper selection.

d) Facilitates performance appraisal –

A company can make scientific and impartial performance appraisal of its employees with the help of job analysis. Job analysis helps in determining performance standard against which the actual performance of employees is measured. Such appraisal is useful for promotion, identification of training needs and pay increase.

e) Facilitates placement –

Job analysis facilitates proper placement. The selected candidates can be placed at the right job depending upon their qualities, qualifications and experience.

f) Facilitates manpower training development programmes

Job analysis suggests the qualities necessary for performing specific job. This information can be used in a purposeful manner while framing training needs and programmes for different jobs. Job analysis provides valuable information to identify training and development needs of different individuals. Similarly, employee development programmes such as job rotation, job enlargement and job enrichment are based on the analysis of job requirements.

g) Labour relations –

Information obtained through job analysis is helpful to both management and trade unions for collective bargaining. It can also be used to resolve disputes and grievances relating to working conditions, working hours, etc. This helps to build healthy relations between labour and management.

h) Facilitates job evaluation –

Job evaluation is a process of determining the relative worth of different jobs in an organisation with a view to link compensation as per the worth of the job. Job analysis provides the worth of a job through Job description and job specification.

i) Facilitates employee counseling –

Job analysis provides information relating to the strengths and weaknesses of employees and also the career opportunities available within the organization. Such information is helpful in vocational guidance and counseling.

j) Facilitates scientific promotions and transfers –

Promotions and transfers become easy, quick, and accurate on the basis of data available from job analysis.

k) Facilitates career planning –

Job analysis helps in thorough understanding of the requirements of available jobs and how jobs at succeeding levels relate to one another. With the help of such understanding, employees and the organisation can make efforts for career planning and career development.

l) Employee health and safety –

Job analysis helps to discover unhealthy and hazardous environmental and operational conditions in various jobs. Heat, noise, dust etc. are examples of such conditions. Such information enables the management to take corrective measures to minimize and avoid the possibility of accidents and thus, to ensure the health and safety of employees.

m) Facilitates redesigning of jobs –

Job analysis gives the details of different jobs and facilitates redesigning of jobs so as to improve operational performance or to enrich job content and employee improvement.

n) Acceptance of the job offer –

Job analysis is useful to the candidate for the acceptance of the job offer. The candidate can get clear and correct information about the duties, salary, working conditions, promotion, opportunities etc. This facilitates the candidate's decision to accept or reject the job offer.

CHECK YOUR PROGRESS:

1. "The process of HRP is crucial." Discuss.
2. Enlist the points suggesting the importance of human resource planning.
3. "Job analysis is the foundation of many human resource management programmes". Discuss.
4. Enlist the points stating the importance of Job analysis.
5. Explain the following steps of the process of HRP:
 - a. Analyzing organizational plans
 - b. Forecasting demand for HR
 - c. Reconciliation
 - d. Monitoring HR requirement

10.4 RECRUITMENT

10.4.1 MEANING AND DEFINITION

Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule. It helps to employ effective measures for attracting manpower in adequate number to facilitate effective selection of efficient personnel.

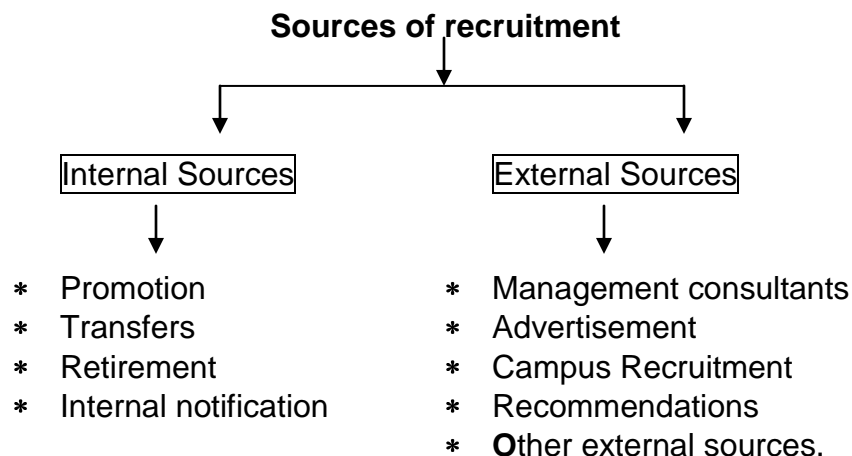
According to Edwin Flippo,

"Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs".

In simple words it is a process of attracting people to apply for jobs available in the company."

10.4.2 SOURCES OF RECRUITMENT

Sources of recruitment are the outlets or agencies through which suitable and interested candidates are available. The sources of recruitment can be broadly divided into two groups that is Internal sources and External sources. These are as follows –



1) **Internal sources –**

The internal sources refer to sources from within the company. The various internal sources are as follows.

a) **Promotion –**

When a vacancy arises at a higher level, qualified and experienced employee from within the company can be promoted at the higher level. For example, an understudy candidate may be promoted to the post of his superior who has retired or promoted or transferred.

b) **Transfers –**

Whenever a new vacancy is created within the organization, management may fill the vacancy through transfer of existing employee rather than employing a new hand for example transfer from head office to branch office.

c) **Retirement –**

At times, retired managers may be recalled, especially for a short duration, when it is difficult to find a suitable candidate for the post from which the manager has retired. Again, young mothers may retire early to take care of kids. Once the kids grow up, the company may recall such employees.

d) **Internal notification –**

At times, management issues an internal notification for the benefit of existing employees. Most employees know from their own experience about the requirements of the job and what sort of person the company is looking for. Often employees have friends or acquaintances who meet these requirements. Suitable persons are appointed at the vacant posts.

2) **External sources –**

External sources refer to sources from outside the company. The various external sources are as follows.

a) **Management consultants –**

Management consultants make necessary arrangements and select the suitable staff required by a business unit. For this, they give advertisement, conduct tests and also arrange interviews, etc.

b) **Advertisement –**

This is one of the most popular source of recruitment. Advertisement of the vacancy can be inserted in newspaper, or business magazines. The advertisements can also be placed on the job related web-sites on the internet.

c) **Campus Recruitment –**

Many organizations nowadays conduct campus recruitment. Organisations approach educational institutes for conducting interviews, tests,

group discussions etc., for the final year students. This practice is very common in management institutes throughout the country.

d) Recommendations –

Present employees can be told to suggest names for new vacancies. This would save the cost of recruitment. Furthermore since the present employees are well aware about the philosophy, practices etc. of the organization it will ensure that they suggest names of candidates whose attitudes, philosophies, expectations etc. match with those of the organization.

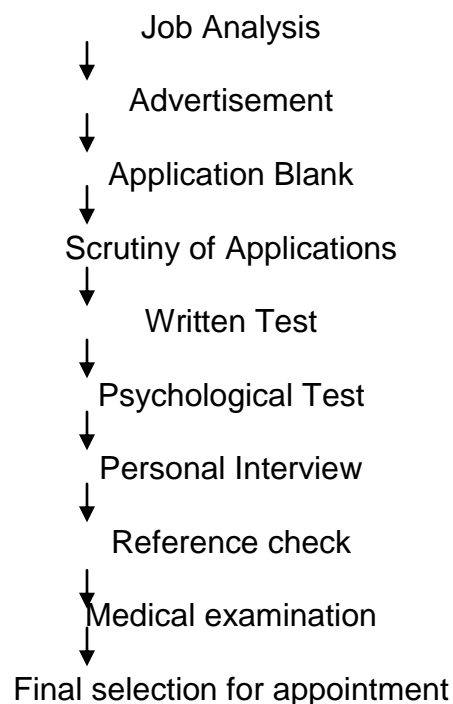
e) Other external sources –

There can be various other external sources, such as head hunting, deputation of personnel by parent company, use of executive placement agencies, Assistance from professional associations, etc.

10.5 SELECTION PROCEDURE

Selection is a process of choosing right person for the right job. The selection process consists of a series of steps or techniques as follows.

Steps in selection procedure



a) Job Analysis –

Job analysis means a process of collecting information about a job. It gives details of a job to be performed and the human qualities and qualifications

required for performing that job efficiently. It is a scientific and systematic analysis of a job in order to obtain all relevant facts about the job. Job analysis is performed upon ongoing jobs.

b) Advertisement –

The next step is to advertise the job. The job can be advertised through various media. The right details about the job and the candidate must be given in the advertisement.

c) Application Blank –

It is a prescribed form of the company which helps to obtain information about candidate in respect of social, biographic, academic, work experience, references etc. The application blank helps to provide input for the interview. It provides basis to reject candidates if they do not meet eligibility criteria, such as experience, qualifications, etc.

d) Sorting of Applications –

After the last date fixed for the receipt of applications, officer from the personnel department starts the scrutiny of application received. Incomplete applications are normally rejected. Applicants who do not possess required qualifications, experience, etc. are also rejected. Along with this, the certificates, testimonials and references are checked.

e) Written Test –

After the applications are scrutinized, a written test is conducted. Generally objective type questions are asked. The questions test the candidates reasoning power, mathematical ability, conceptual understanding, language skill etc. depending upon the number of vacancies, specific number of candidates are declared eligible for further interview and group discussion.

f) Psychological Tests –

The psychological tests given to candidates include the following tests. Intelligence test, Aptitude test, Interest test, Achievement test, Analytical test, performance test, synthetic test and personality test. Each test needs to be given separately and each test is useful for judging specific quality of a candidate to be selected for the executive post.

g) Personal Interview –

Personal interview is an oral examination of an applicant for employment. Generally an interview is conducted by a panel of experts in the concurrent area. Personal interview provides first hand information about the aspirant and gives them a chance to check his antecedents.

h) Reference check –

The candidate is required to give at least two references which may be educational, social and employment. These references help to cross check the information provided by the candidate.

i) Medical examination –

The candidate has to undergo medical checkup in order to find out whether he is mentally and physically fit to fulfill the job responsibilities. Generally the organization notifies the hospital where such test is to be conducted.

j) Final selection for appointment –

The selection procedure comes to an end when the final appointment letter is sent to the candidate with a request to join the organization on a particular date. The letter states the post, title of the job, the salary and terms and conditions of employment. At times, a contract of service is signed by both the employer and employee. Initially, the appointment is on probation and after a year or two, it is confirmed.

10.6 EMPLOYMENT TESTS

10.6.1 TYPES OF EMPLOYMENT TESTS

Use of employment tests is fairly widespread in personnel selection. Such tests provide a systematic basis for comparing performance, personality traits and intelligence. The various types of employment tests are as follows.

a) Performance test –

Performance test is conducted to verify the various contentions made by the candidates. For example if a person applies for the post of lecturer and claims to have five years experience and can teach very well, the person can be told to engage couple of lectures to find out his contentions.

b) Personality test –

Personality test is conducted to judge maturity, social or interpersonal skills, behaviour under stress and strain, etc. This test is very much essential in case of selection of sales force public relations staff, etc. where personality plays an important role.

c) Aptitude test –

An aptitude is an ability to acquire a particular skill. It is necessary to know the aptitude of the person to be recruited. This may help in assigning the work in which he has special skill. For example before appointing a chartered Accountant the organization can find out his aptitude for income-tax, auditing, costing financial planning etc and then assign him that particular responsibility.

d) Interest tests –

This test is conducted to find out likes and dislikes of candidates to wards occupations, hobbies, etc. such tests indicate which occupations are more in line

with a person's interest. Such tests also enable the company to provide vocational guidance to the selected candidates and even to the existing employees.

e) Intelligence tests –

Intelligence test is useful for judging the intelligence of a candidate. According to the industrial psychologist, "General intelligence is the capacity of a person for comprehension and logical reasoning" previously only the passing certificates of certain examinations were universally accepted as evidence of intelligence but now intelligence tests measure general intelligence.

f) Projective test –

This test requires interpretation of problems or situations. For example, a photograph or a picture can be shown to the candidates and they are asked to give their views, and opinions about the picture.

g) General knowledge test –

Nowadays, general knowledge tests are very common to find out general awareness of the candidates in the field of sports, politics, world affairs, current affairs etc.

h) Emotional quotient –

Organisations nowadays emphasize upon emotional quotient of the individual. Emotional quotient enables the organization to find out whether the person can remain unperturbed in different situations. Emotional maturity helps in handling crisis properly and thereby ensuring that the tensions are diffused.

10.6.2 ROLE OF EMPLOYMENT TESTS

Employment tests are important and essential as they facilitate the selection of most promising candidate for specific post. Such tests are useful for judging the mental qualities of candidates which are not directly visible. The use of such tests is increasing and proves useful to the organizations. Many benefits are available from such employment tests for selection as well as for appropriate placement, promotion, transfer, counseling and so on. Such benefits suggest the role or importance of employment tests. Important benefits of employment tests are as noted below.

- a) Objectives comparison between candidates is made possible.
- b) They can be used to check on the reported experience of the applicant.
- c) Incompetent candidates are eliminated
- d) Such tests are commonly used to judge candidates properly and can help in selecting not the best, but the most suitable candidate.
- e) Right man to the right job is achieved.

- f) Achievements of the candidates are verified.
- g) They can be used for guiding and counseling person seeking various jobs.
- h) Compatibility of the candidate can be found out.
- i) The tests can be used to discriminate the suitable candidates from the unsuitable ones.
- j) Mental qualities of candidates are evaluated.
- k) Overall ability of the candidates is measured.
- l) Application of knowledge of the candidate is found out.
- m) Accuracy in selecting employees.
- n) Personality test can throw light on the character of the candidate. It will indicate whether the candidate has the ability to get along with other people, which is very vital for team work.

10.7 INTERVIEWS

10.7.1 TYPES OF INTERVIEWS

An Interview is an oral examination. It is a two-way communication where the interviewers can obtain as much as required information from the candidate and the candidate can ask for information about the company and the job.

Following are the different types of interview:

- a) **Focused directed interview –**
Here the interview is a structured one, direct questions are asked. The questions are focused on the requirements of the job. The objective is to find out whether the candidate has conceptual knowledge. The interviewer here wants to know the interviewee's knowledge in specific area.
- b) **In-depth interview –**
This is an unstructured interview method. The interviewee is given freedom to talk about his background, qualities, qualification etc. This interview helps in knowing many latent talents which the candidate possesses and which are not mentioned anywhere.
- c) **Informal Interview –**
Such interview may take place anywhere. It is not planned and is used when the staff is required urgently. A friend or relative of the employer may introduce the candidate to the employer, who asks a few basic questions like name, education, experience, etc.
- d) **Formal Interview –**

Formal interview may be held by the employment officer in a more formal atmosphere with the help of pre-planned questions. Formal interview is also called planned interview.

e) Panel interview –

A panel is a group of people who come together to conduct an interview. Generally panel members are experts in their fields and are in a position to evaluate the candidate from all possible angles. A panel for the purpose of interview generally consists of 5 to 10 people.

f) Group interview –

Here, all candidates or candidates in small groups will be brought together for the purpose of interview. It is like study of performance of candidates in group discussion. The time of the executive is saved and judgment of candidates is possible by observing the manner in which the candidates react to and against each other.

g) Exit interview –

This type of an interview is conducted by an organization with those employees who have put in their resignation papers. It may be conducted on the last day of employment of the employee. Exit interview helps to find out why the candidate is resigning from the job.

h) Stress interview –

Stress is a pressure or tension exerted. In a stress interview the interviewer tries to put stress on the candidate. If the job involves lot of stress and pressure like a manager of a bank then this technique may be used to find how the candidate responds to stressful situation.

i) Individual interview –

This is also called as one-to-one interview. It is a face to face interaction between the interviewer and the candidate. It is a two-way communication and there should be purposeful exchange of ideas.

j) Video conferencing –

This is a new method of interviewing candidates use of satellite communication. It is possible to interview a person even if he is in a different city or place. This has not only reduced cost of the interview but the company gets a chance to interview people from a larger area.

10.7.2 ROLE OF INTERVIEW

Interview is beneficial not only to the company but also to the candidate. The role of interview can be stated as follows.

- **To the company**

a) Verify claims –

The company can check the claim made by the candidate in their application form. The organizations normally insist on production of original certificates which substantiate the candidates' claims.

b) Supplements Application blank –

The interview provides an opportunity to see and talk with an applicant, to become acquainted, and to check information provided in the application blank by the candidate.

c) Recruitment decision –

Recruitment decision is often taken by organizations after interview as the interview gives them first hand information about the candidate.

d) New Insights –

Personal interviews may bring to the notice of the interviewers new insights in the business field as some applicants may have devised better ways to deal with certain business matters. Such new ways may not come to the notice of the interviewers but with a detailed discussion with the candidate of his achievements and past experience. The interviewers can make use of such new insights in their business matter also.

e) Promotion –

Whenever an employee is due for promotion, interview is undertaken to know what the employee has done for the organisation and what are his plans for the future growth of the organization.

f) Promotes goodwill –

It promotes goodwill towards the company irrespective of selection or rejection of the candidate, provided the candidate is interviewed with respect.

• **To the candidates**

a) Job opportunities –

Appearing for the interview provides job opportunity to the candidates. Generally companies decide to recruit people after interview. Furthermore even if the candidate is not selected a good performance in the interview can influence the interviewer who may consider placing him somewhere else.

b) Accurate judgment of skill –

In the personal interview, various questions are asked to the candidate. This type of conversation is useful for judging the knowledge, ability to speak, manners, attitude, likings, social make-up general outlook etc of the candidate. This enables the interviewers to select the best among the available candidates.

c) Provides additional information to candidates –

The doubts of candidate can be cleared in the personal interview. He can be given additional information repaired. His interest in the job and in the organisation is also visible in the interview. This suggests the importance of personal interview.

d) Contacts –

The Candidate can develop good contacts with the other candidates and even with the interviewers. This may help to get a placement in some other company if he is not selected in the present company, where he is being interviewed. This is because the interviewers other candidates may recommend his name to some other company.

e) Develops confidence –

Candidate develops confidence after attending interview. This would help him in presenting himself in a better manner in future.

CHECK YOUR PROGRESS:

1. Define the following terms:
 - a. Focused directed interview
 - b. In-depth interview
 - c. Formal Interview
 - d. Panel Interview
 - e. Group Interview
 - f. Exit Interview
 - g. Stress interview
 - h. Video conferencing

2. “Employment tests are important as they facilitate the selection of most promising candidate for specific post.” Discuss.

10.8 PLACEMENT

10.8.1 MEANING AND DEFINITION

Placement is next to selection. It must be appropriate for the organization as well as for the newly selected candidate. Immediately after selection and appointment, a newly selected employee is placed in a particular department for actual work. This is called placement. It is a process of placing the right man on the right job.

Placement is important to the organization as well as to the newly appointed employee. The capacity of an employee can be utilized fully if the candidate is placed in the most suitable department.

According to Dale Yoder, “Placement means the determination of the job to which an accepted candidate is to be assigned and his assignment to that job.”

10.8.2 BENEFITS OF PLACEMENT

Placement brings benefits to the organization and to the employees. The benefits are as follows.

a) Job clarity –

Placement ensures job clarity. Every individual knows what he is supposed to do. There is no duplication of work

b) Improve productivity –

Productivity of a well placed employee is always higher. If the person is given a job for which he has an aptitude then he is likely to work with zeal and enthusiasm thereby improving his productivity. The company gets the benefits of higher efficiency.

c) Job satisfaction –

Proper placement can have spillover effect on life satisfaction of the employees. This is because job satisfaction and life satisfaction are interconnected.

d) Optimum utilisation of resources –

Human resource is the most important resource and the success of any organization depends to a great extent on its effective utilization. job placement ensures that this resource is utilized to an optimum extent. The employees may be motivated to make optimum use of resources.

e) No duplication of work –

Since each and every employee is given specific job there is not any duplication of work. Duplication leads to wastage which can be avoided by proper placement.

f) Reduces labour turnover –

Employees generally leave the organization if they feel that they are inappropriately placed in the organization. So proper job placement reduces the chances of labour turnover. Placement helps to reduce absenteeism and employee turnover.

g) Increases morale –

Morale of the employee generally depends upon the work environment and the type of job that the employee is doing. Job placement tries to ensure right job for the right person.

10.9 INDUCTION

10.9.1 MEANING AND DEFINITION

Next to selection and placement is induction orientation in which a newly selected employee is given brief introduction about the organisation in which he is going to work for a long period. This is called induction or induction training. Orientation is designed to provide a new employee with the information he or she needs to function comfortably and effectively in the organization.

Induction may be defined as “Planned introduction of employees to their job, their co-workers and the organization.

10.9.2 IMPORTANCE OF INDUCTION

The following advantages of induction suggest its importance.

a) Introduction –

It is necessary to introduce the new staff member to the existing employees and the job to be done. Induction training facilitates this introduction process. A good induction programme creates favorable impression on newly appointed employees. It creates affinity for the job and company among new employees.

b) Reduces Labour turnover –

Effective orientation programme makes the new recruits comfortable with the job, the work environment and co-workers. This enables the new employees to adjust easily with the new environment. Therefore, turnover of newly recruited employees gets reduced.

c) New Employees get exposure –

New employees get exposure to all areas of the organization. This creates a sense of confidence among employees induction avoids confusion among new employees and makes new employees productive to the company quickly.

d) Develops Employee relationship –

Induction programme helps the employee to develop cordial relationship with other co-workers and superiors. The employee is introduced to the other members of the organization. At times, special achievements of certain co-workers are highlighted during introduction. There is good deal of co-operation between the new recruits and the existing workers.

e) Smooth transition –

Induction process ensures that the transition process of placement and acclimatization is smooth thereby not adversely affecting continuity process.

f) Role clarity –

Induction training enables the new comer to understand his role clearly, there by ensuring that there is no duplication of work.

g) Job Satisfaction -

Induction training is likely to provide Job satisfaction as the employee is likely to get the job which he is good at.

h) Brand building –

Induction training is a good brand building exercise as the newcomers are likely to have a positive opinion about the organization.

i) Modified employee expectations –

Employees may join organisations with high expectations in respect of perks and incentives, career opportunities, higher degree of autonomy and so on. But the employee expectations may not match with organizational reality. This may make the newly hired employee dissatisfied and frustrated. He may ever quit the job. But effective induction brings the employee expectations to realistic level and therefore the employee may feel comfortable in the organization.

10.10 SUMMERY

Human resource planning is necessary on every stage of HRD. HRP is important for: Meeting manpower needs, Recruitment and selection, Placement of personnel, Performance appraisal, Promotion and transfers, Training, finding future personnel needs, Adjusting manpower requirements, Career development, Avoiding surplus staff, Motivating the personnel etc.

The process of HRP includes the steps like: Analyzing organizational plans, Forecasting demand for HR, Forecasting supply of HR, Matching the demand with supply, Finalizing action plan, Monitoring HR requirement etc.

Job analyses mean the description of various tasks in detail. Job analysis is the foundation of many human resource management programmes. Job analysis is important due to the reasons like: for preparing Organizational structure and design, it facilitates human resource planning, facilitates recruitment and selection, facilitates performance appraisal, facilitates placement, facilitates manpower training development programmes, helpful for healthy labour relations, facilitates job evaluation, facilitates employee counseling, facilitates scientific promotions and transfers, facilitates career planning, ensures the health and safety of employees, facilitates redesigning of jobs, useful to the candidate for the acceptance of the job offer.

Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule. Promotion, Transfer, Retirement, Management consultant, Advertisement, Campus recruitment etc., are the main sources of recruitment.

Selection is a process of choosing right person for the right job. The process consists several of steps such as: Job analyses, advertisement, application blank, scrutiny of application, written test, psychological test, Personal Interview, Reference check, Medical examination and final selection for appointment.

For judging the mental qualities of candidates and for selection of most eligible candidate employment tests are beneficial. Many benefits are available from such employment tests for selection as well as for appropriate placement, promotion, transfer, counseling and so on. Types of such tests are: Performance test, Personality test, Aptitude test, Interest tests, Intelligence test, Projective test, General knowledge test, Emotional quotient etc.

An Interview is an oral examination. Several methods can be applied for taking interviews the main methods are: Focused directed interview, In-depth interview, Informal Interview, Formal Interview, Panel interview, Group interview, Exit interview, Stress interview, Video conferencing etc.

Placement means newly selected and appointed employee is placed in a particular department for actual work.

Induction means giving brief introduction about the organisation in which the newly selected employee is going to work for a long period.

10.11 EXERCISE

1. What is human resource planning? Discuss its importance.
2. Explain steps in HRP process.
3. What is job Analysis? Bracing out its uses.
4. What is recruitment? Explain its sources.
5. Briefly describe selection procedure of employees.
6. What are employment test? Explain their roles.
7. Explain the roles of interviews.
8. Explain the importance of placement of employees in business organization
9. Write short notes –
 - i) Induction.
 - ii) Types of Employment testy.
 - iii) Types of Interview
10. Define the following terms:
 - a. Human Resources Management

- b. Job analyses
- c. Recruitment
- d. Selection
- e. Employment tests
- f. Performance test
- g. Personality test
- h. Aptitude test
- i. Interest tests
- j. Intelligence test
- k. Projective test
- l. General knowledge test
- m. Emotional quotient etc.
- n. Induction
- o. Placement
- p. Interview



HUMAN RESOURCE DEVELOPMENT

Unit Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Definitions of HRD
- 11.3 Nature/Features / Characteristics of HRD
- 11.4 Need / Importance / Advantages of HRD
- 11.5 Scope of HRD
- 11.6 Training and Development
- 11.7 Types of Training
- 11.8 Methods of Training and Development

11.9 Summary

11.10 Exercise

11.0 OBJECTIVES

The main vision of this chapter is

- To provide you with an overview of HRD.
- To Define HRD.
- To understand features, importance and scope of HRD
- To know the importance of training and development.
- To elaborate the different types and methods of training and development.

11.1 INTRODUCTION

Human resource development (HRD) is concerned with the development of new qualities, innovative ideas, qualification and skills among the employees working at all levels for this, opportunities of learning, training and career development should be provided to them. Ample scope should be provided to employees for self-improvement and self-development, Training, Job rotation, deputation to refresher courses, conferences and seminars, performance evaluation and promotion are some useful techniques for manpower development in an organisation.

HRD is a continuous process and it needs money. Such investment creates a team of efficient, skilled and trained manpower which brings success and stability to a business unit. HRD programmes offer long term benefits to an organisation.

11.2 DEFINITIONS OF HRD

- 1) **According to American Society for Training and Development (ASTD)**, “HRD is the integrated use of-
 - a) Training and development
 - b) Organisational development and
 - c) Career development – to improve individual, group and organisational effectiveness.
- 2) **Len Nadler**, defines “HRD as ‘an organized learning experience with in a given period of time with the objectives of producing the possibility of performance change.

11.3 NATURE/FEATURES/CHARACTERISTICS OF HRD

The main features of HRD are as follows:

a) Continuous activity -

HRD is rightly treated as a continuous activity due to new development taking place regularly in the business world. For this, on the job and off the Job training programmes are introduced from time to time.

b) Training -

HRD involves importing formal and informal training to the employees. Formal training is provided by arranging Seminar, workshop etc. Informal training, on the other hand is obtain by working on the job and learning through working.

c) Upgrading manpower -

HRD is basically concerned with the upgrading of manpower working in an organisation this leads to improvement in the individual performance of an employee and also corresponding improvement in the organisational performance

d) Team spirit -

HRD is for developing team spirit in the whole organisation. For this, departments and levels of management are properly integrated. Team spirit facilitates orderly growth of the organisation in the right direction.

e) Organisational Development -

HRD includes organisational development, which covers effective communication within the organisation, co-ordination of different activities, elimination of conflicts of different types and creation of orderly atmosphere in the whole organisation.

f) Process -

HRD is a process which includes training and development, carrier development of employees, organisational development etc. It is undertaken to achieve overall objectives of the organisation.

g) Developing work culture -

HRD aims at developing proper work culture in the organisation. BY formulating various policies, programs, practices pertaining to human resource. HRD department involves in developing a proper work culture.

11.4 NEED AND IMPORTANCE/ADVANTAGES OF HRD

The need and importance of HRD can be stated as follows –

a) To face market conditions –

The market conditions have changed considerably during the past few years due to intense competition to face the competition; employees need to be well trained.

b) To face challenges of technological changes –

Technological changes are taking place rapidly in every area of business. HRD programmes are needed in order to absorb technological changes taking place with speed. In fact, introduction of new technology, computers, automation etc. will not be possible unless training is provided to the manpower.

c) To meet new organisational roles in society –

The role of organisation in society is changing. The demands on the organisation and expectations of the clients or customers and others require that executives and other employees undertake new tasks and respond to environmental changes.

d) To meet future manpower needs –

HRD is needed to meet the future manpower needs of the organisation. Executives' managers, Supervisor leave the job or retire due to age factor. Competent juniors must take their position. HRD is needed in order to keep ready a team of competent managers as a second line of defiance.

e) To exploit organisational potential –

The organisation may have right potential. But internal management situation may be unable to handle the situation. In other words, management systems and controls may be lacking. The internal process may be streamlined, thus requiring employees to change and exhibit higher levels of maturity and competence.

f) To update the quality of manpower –

HRD activities are needed for updating the quality of manpower as per the growing and changing needs of an enterprise. This avoids managerial obsolescence. Even the vacancies at higher levels can be filled in internally due to HRD programmes as they provide training and opportunities of self-development to employees working at lower levels.

g) To develop strength for survival –

HRD programmes are necessary for survival in the present competitive marketing environment. An enterprise can face market competition only by improving quality, reducing costs and avoiding wastages. All this is possible through HRD.

h) To satisfy the demand of self-development of employees-

HRD is needed to meet the needs of employees in regard to self-development and career development aspirations. Employees demand, training facilities, refresher courses and programmes are needed to fulfill self-development and career development of employees.

i) To utilise production capacity fully –

HRD is needed in order to use the available production capacity to the optimum level. It provides skilled manpower for this purpose. It leads to more production and bring down the cost of production.

11.5 SCOPE OF HUMAN RESOURCE DEVELOPMENT

The scope of HRD can be explained in the light of its various sub systems or mechanisms. These are as follows:

a) Performance Appraisal –

It is one of the important aspects of HRD. Unless and otherwise the employee and the management knows in which area the employee needs additional training, it would be difficult to develop him. So it is necessary to develop a proper feedback system which will help the management in knowing proper feedback.

b) Career Development –

In any organisation, an individual wants to know the opportunities for their growth and career development. Because superiors have information about the growth plans of the company, it is their responsibility to convey such information to their subordinates and assist them in planning their careers within the organisation.

c) Training and development –

Training is an essential element of HRD. This develops skills and capacity to work at higher levels and positions. Training is possible by different methods. It is useful for self-development and career development.

d) Organisational Development –

Scope of HRD reaches even to developing the overall organisation culture. It is necessary to create a healthy and conducive working climate. People are then motivated to work hard and are also likely to be involved emotionally with the organisation.

e) Rewards and incentives –

HRD includes provision of rewards and incentives to employees to encourage them to learn, to grow and to develop new qualities, skills and experiences which will be useful in the near future. Reward is an appreciation of good work/qualities of an employee. It may be in the form of promotion, higher salary or higher status. Reward and incentives motivate employees and raise their morale.

f) Employees welfare –

Employees' welfare is within the scope of HRD. Welfare facilities are useful for creating efficient and satisfied labour force. Such facilities raise the morale of employees. Employees' welfare includes the provision of medical and

recreation facilities, subsidised canteen, free transport and medical insurance. Such facilities support training and other measures introduced for HRD.

g) Quality of work Life –

It is a technique for improving productivity and quality of work. It involves labour-management co-operation, collective bargaining and participative management. QWL programmes focus attention on providing good working conditions, job security, payment and other facilities such as flexible working hours, freedom to suggest changes or improvements etc. QWL generates a sense of belonging that benefits the organisation as well as individual employment.

h) Human Resource information system –

Such system acts an information bank and facilitates human resource planning and development in a proper manner. It facilitates quick decision making in regard to HRD. Every organisation has to introduce such system for ready reference to HRD matters. Updating of such information is also essential.

11.6 TRAINING AND DEVELOPMENT

Training is normally viewed as a short term educational process by which non-managerial personnel acquire the technical knowledge and skills necessary for increased effectiveness in achieving organisational goals.

11.6.1 DEFINITION

According to Edwin Flippo, training is “the act of increasing the knowledge and skill of an employee for doing a particular Job”

Development is viewed as a long term learning process by which managerial personnel acquire conceptual and theoretical knowledge and skill for enhancing general administrative abilities.

11.6.2 NEED/IMPORTANCE/ REASONS OF TRAINING AND DEVELOPMENT

Training serves various purposes. Therefore it is important to the company and employees.

- **Importance to the Company**

a) Increase efficiency –

Training improves efficiency of the employee. He learnt to perform the work in a scientific systematic and logical manner. This lead to more production and profit to employer or company.

b) Reduces supervision –

Trained personnel require less supervision because they know the skill knowledge about his work and commit fewer mistakes. The supervision can concentrate on more important activities such as planning and controlling

c) Reduces accidents –

Training reduces accidents as trained employees develop skill and positive attitude towards their work and organisation. They become more interested in their jobs and as such they handle the machines and material properly and avoid mistakes.

d) Reduces wastages –

Training helps people to improve their skills. Since they learn to do work in a proper manner wastages of time, money and effort is avoided. It saves the time, money and energy of the organisation.

e) Reduce Absenteeism and Turnover –

A trained person derives more job satisfaction morale of trained staff is high. They do not remain absent without sufficient cause. There are also less chances of labour turnover.

f) Better relation –

Training develops the positive attitude of the employees. It leads to develop cordial labour management relation.

g) Better services from new employees –

Training develops confidence in new employees. Newly appointed candidates feel sense of pride and belonging towards the company. They understand that the company is sincerely interested in them and as such the firm would be in a position to obtain better services from new employees.

h) New techniques –

Training facilitates the introduction of new management techniques and also new production technique. It brings positive effect on company product and brings down the cost of product.

i) Improve Morale –

Training helps the employees to acquire different skills and to perform various tasks. This improves their overall performance thereby increasing their morale. The attitude of a person having high morale is generally positive and it is reflected in the way he does the work.

- **Importance to the Employees**

j) Updates knowledge and skill –

Training helps to improve knowledge and skills of the employees such improvement in updates knowledge and skills helps to improve the overall performance.

k) Confidence –

Training creates a feeling of confidence among employees. It gives personal safety and security to them.

l) Positive Attitude –

Training develops positive attitude in the minds of the employees. Employees work with a positive frame of mind. This results in higher efficiency.

m) Quick promotion –

Training provides opportunity for having a quick promotion and self-development to managers. The trained personnel stand a fair chance of being promoted.

n) Refreshing –

Refresher training refreshes the employees. It not only provides information but also it is a short escape from routine work. Refresher training updates knowledge and skills of the employees.

o) Rewards –

Trained employees are invaluable assets to the company. They contribute towards profit maximisation and in turn they get rewards from the employees.

11.7 TYPES OF TRAINING

The following are the different types of training.

a) Induction Training –

Induction training is simply for introducing the organisation to newly appointed persons. The purpose is to give “bird’s eye view” of the organisation. It is a very short informative type of training given immediately after joining the organisation. He / She is often provided training about the job, its scope, knowledge about the process, seniors and so on. Induction training helps the new recruit in understanding the peculiarities of the job and helps in getting quickly adjusted to the system of work.

b) Job Training-

Job training relates to specific job, which the worker has to handle. It gives information about machines, process of production, instruction to be followed, methods to be used and precautions to be taken while performing the job. This

training develops skills and confidence among the workers and enables them to perform the job efficiently.

c) Training for promotion –

Promotion involves vertical transfer of an employee, followed by a change in authority, responsibility, status and pay. Therefore, training is required before actually joining the new position so that the employee can effectively and efficiently handle new tasks and challenges.

d) Refresher Training –

The purpose of refresher training is to refresh the professional skills and experience of persons occupying executive positions. It gives information about new development and techniques to trainees and enables them to use new methods and procedures for raising efficiency. This training is given by professional institutions. Refresher training is necessary due to rapid technological development taking place in the industrial/managerial field.

e) Retraining –

Retraining programmes are conducted for the benefit of long-term employees, and those who were on prolonged lay-off to keep employees all-round skills intact, retraining programmes may be arranged when employee called back to rejoin the work, retraining is undertaken some firms. The company may retrain the employee to develop new skills to handle the new job.

f) Corrective Training –

Corrective training is necessary when employees violate company rules. For example, absence without prior sanction or smoking in a 'No Smoking' area or not using safety device while operating dangerous machines. Here, punishment /disciplinary action cannot change the behaviour of employee. The manager should handle the problems with treatment that corrects the outlook of employees.

CHECK YOUR PROGRESS:

1. "HRD is basically concerned with the upgrading of manpower working in an organization." Discuss.
2. Enlist the main features of HRD.
3. Explain the following terms:
 - a. Induction Training
 - b. Job Training
 - c. Refresher Training
 - d. Corrective Training
4. Explain the reasons of training related to Employees.

11.8 METHODS OF TRAINING AND DEVELOPMENT

There are various methods of training and development programmes which are conducted on the job and off the job. These are as follows.

Methods of Training and Development

On-the-Job methods

- a) Job Rotation
- b) Planned progression
- c) Coaching and counseling
- d) Understudies
- e) Junior Boards

Off-the-Job methods

- a) Lectures
- b) Simulation
- c) Business Games
- d) Committees
- e) Conference and seminars
- f) Audio-visual

11.8.1 ON-THE-JOB METHOD

a) Job Rotation –

Job rotation involves shifting the employee from one job to another. A person gets first hand information of various job responsibilities. So he is in a position to perform various jobs. Job rotation also ensures that the work does not become monotonous. Furthermore since most people can perform various jobs, dependence on a particular employee reduces continuity in production is ensured. However it may not lead to specialization.

b) Planned progression –

It is similar to Job rotation, except that every movement from one job to another involves higher pay, position and duties. In job rotation, every movement involves more or less same pay and position. Planned progression is more likely to occur at higher managerial levels, whereas, job rotation occurs mainly at lower level positions.

c) Coaching and counseling –

Coaching is guidance and training provided generally by a senior to a new recruit. It involves personal involvement of the superior. This type of training can be very much focused. It generally involves a lot of demonstration by the superior. It ensures continuous evaluation and appraisal by the superior. The success of coaching however depends upon the competence, skill and desire of the superior.

Counseling – In this case, the superior plays a passive role in training the subordinate. The superior may provide advice to the subordinate in the completion of task, if so required.

d) Understudies –

An understudy is a person who studies another's role or duties in order to act at short notice in the absence of the other. Generally there is a practice in the

organisation to appoint heir-apparent as the understudy so that he can understand the responsibilities and can immediately take over once the present incumbent quits the post. The transition becomes a smooth affair. The work schedule is not affected.

e) Junior Boards –

In western countries, junior boards are formed. It permits promising young middle-level managers to experience problems and responsibilities faced by top-level executives in their company. About 10 to 12 executives from diverse function within the organisation serve on the board for a term of say 6 months or more.

The board is allowed to study any problem faced by the organisation, in respect of personnel policies, organisational design, interdepartmental conflicts etc., and to make recommendations to the senior board of directors.

11.8.2 OFF-THE-JOB METHOD

a) Lectures –

Lectures refer to a presentation by the trainer on ideas, concepts, theories and issues. This method concentrates on providing knowledge. It is economical because large number of participants can be trained at one time, saving cost in terms of man-hours and money. Its major disadvantage is that it is difficult to know the extent of take-home learning because participants do not show active participation.

b) Simulation –

To Simulate is to imitate. Simulation is the presentation of real simulation of organisations in the training session. This type of training is generally given to astronauts in order to get them acclimatise to conditions prevailing in outer space.

c) Business Games –

Business games are classroom simulation exercises in which teams of individuals compete against each other to achieve given objectives. For example, teams may be asked to make decisions concerning pricing, production volumes, research expenditures, advertising and sales promotion plans channels of distribution etc. Team actions and decision are fed into a computer that has been programmed according to a particular model of the market. Business game participants learn by analysing problems and by making trial-and-errors decisions.

d) Committees –

A committee can be a method of training. The junior members of the committee can learn from the discussions and interaction with the senior

members of the committee. The senior members also can learn from the opinions and views expressed by the junior members.

e) Conferences and Seminars –

A conference is a meeting for discussing issues whereas a seminar is a conference of specialists. Seminars and conferences enable exchange of ideas between experts. This is better than lecture method as two way communication takes place. Success of a seminar or a conference however depends upon the way they are conducted.

f) Audio-visuals-

Audio-visuals include television slides, video tapes and films within shortest possible time, it provides wide range of realistic examples of job situations. The presentation can be controlled and remains equal for all training groups. There is no flexibility of presentation and the audience cannot raise doubts for clarification.

11.9 SUMMARY

Human resource development (HRD) is concerned with the development of new qualities, innovative ideas, qualification and skills among the employees working at all levels through training and career development programmes. Continuous activity, formal and informal training, upgrading of manpower, developing team spirit, organisational development, developing proper work culture are the main features of HRD process.

HRD is important for: facing market conditions, facing challenges of technological changes, meeting new organisational roles in society, meeting future manpower needs, exploiting organizational potential, updating the quality of manpower, developing strength for survival, satisfying the demand of self-development of employees, utilising production capacity fully.

The points explaining the scope of HRD are: Performance Appraisal, Career Development, Training and development, Organisational Development, Rewards and incentives, Employees welfare, Quality of work Life, Human Resource information system etc.

Training is a short term educational process by which non-managerial personnel acquire the technical knowledge and skills on the other hand Development is a long term learning process by which managerial personnel acquire conceptual and theoretical knowledge and skill.

Training is important to the company and employees. In case of company it: Increase efficiency, Reduces supervision, Reduces accidents, Reduces wastages, Reduce Absenteeism and Turnover, Better relation, Better services from new employees, Improve Morale etc. In case of the employees' it: Updates knowledge and skill, Confidence, Positive Attitude, Quick promotion, Refreshing Rewards etc.

The various types of training are: Induction Training, Job Training, Training for promotion, Refresher Training, Retraining Corrective Training etc.

Training and Development programmes can be conducted On-the-Job or Off-the-Job.

11.10 EXERCISE

1. What is HRD? Explain the features of HRD.
2. Discuss the need and importance of HRD.
3. Explain the scope of HRD.
4. What are importance of training to the company and employees? Discuss
5. Discuss the various types of training.
6. Evaluate the methods of training.
7. Write short notes on –
 - On the Job training
 - Off the Job training.
8. Explain the following terms within 30 words:
 - a. HRD
 - b. Training
 - c. Job Rotation
 - d. Lectures
 - e. Planned progression
 - f. Coaching and counseling
 - g. Simulation
 - h. Business Games
 - i. Understudies
 - j. Junior Boards
 - k. Audio-visual
 - l. Committees
 - m. Conference and seminars



HUMAN RESOURCE DEVELOPMENT PART II

Unit Structure

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Definition
- 12.3 Benefits/Uses/Purpose of Performance Appraisal
- 12.4 Limitations of performance Appraisal
- 12.5 Techniques/Methods of performance Appraisal
- 12.6 360 Degree Appraisal
- 12.7 Employee Retention
- 12.8 Compensation and Incentives
- 12.9 Performance Related Pay (PRP)
- 12.10 Summary
- 12.11 Exercise

12.0 OBJECTIVES

After studying the unit the students will be able:

- To provide insight of performance appraisal.
- To define performance appraisal
- To know about the benefits and limitations of performance appraisal.
- To evaluate the techniques/methods of performance appraisal
- To explain 360 degree appraisal
- To measures of employee retention
- To discuss the elements of compensation
- To understand about the performance related pay

12.1 INTRODUCTION

Performance appraisal is a critical evaluation of performance of employees at work by their superiors or others who are familiar with the techniques of performance appraisal. It refers to all the formal procedures used in organisations to evaluate the personalities, contribution and potentials of employees. Performance appraisal is also referred as merit rating, employee rating and service rating.

12.2 DEFINITION

- a) **According to Wayne Cascio**, “Performance appraisal is the systematic description of an employee’s job relevant strengths and weaknesses.”
- b) **According to Michael Crino**, “Performance appraisal is the process of assessing quantitative and qualitative aspects of an employee’s job performance.”

12.3 BENEFITS/USES/PURPOSE OF PERFORMANCE APPRAISAL

The following are the benefits of performance appraisal.

- a) **Performance Feedback –**
Performance appraisal provides performance feedback to the employees. Employees can come to know about their Job related strengths and weakness. Such feedback enables the employees to correct their weaknesses and improve their strengths.
- b) **Training and development –**
Performance appraisal indicates the strengths and weaknesses of an employee. This information can be fruitful for formulating suitable training and development programmes. Such appraisals also suggest the areas of skills where numerous employees are not up to the mark. This enables the management to adjust the training programmes suitably for raising overall efficiency.
- c) **Validation of selection process –**
A proper performance appraisal determines the validity of the various selection devices and accordingly the company may only follow selective and suitable tests and other selection devices to recruit employees in future.
- d) **Promotion and placement –**
One administrative purpose of performance appraisal is to promote employees as per their performance. Quality of performance serves as a base for

promotion particularly when promotions are given by merits. Performance appraisal is useful for the selection of right person for the right type of promotion. Performance appraisal is not useful for initial placement but is certainly useful for subsequent placements.

e) Compensation decisions –

Performance appraisal may also be used to compensate the employees in terms of increased pay and other incentives. This is more true in the case of managerial jobs and also in the case of employees in non-unionised organisations. The better performers are often rewarded with merit pay.

f) Transfers and demotions

In an organisation, certain personnel actions such as transfers and demotions are necessary. Such actions need to be taken in a fair and impartial manner. Here performance appraisal reports can be used for taking final decisions. Performance appraisal is also useful for the demotion of an employee due to his poor performance.

g) Documentary evidence –

Performance appraisal reports can be used as important documentary evidence in case of disciplinary action taken against some ineffective employees. This is especially true in the case of unionised organisations.

h) Personnel Research –

Performance appraisal serves as a feedback in the field of personnel research. It serves as a base for research activities in personnel management. Various theories regarding incentives to employees, training of employees, selection of employees and motivation of employees developed through such research activities.

i) Management and labour relations.

Performance appraisal also helps to maintain good management and labour relations. This is because performance appraisal creates on healthy atmosphere in the organisation. The effective employees are motivated to perform better and the ineffective employees are encouraged to do away with their weaknesses or limitations.

i) Effective communication –

Appraisal interviews and reports can be very effective means of communication to the employee and can result in improved performance.

12.4 LIMITATIONS OF PERFORMANCE APPRAISAL

The limitation performance appraisals are as follows

a) Halo Effect –

Halo effect takes place when one aspect of an individual's performance influences the evaluation of the entire performance of the individual. For example if the supervisor is very fond of particularly a punctual worker may get a high rating on practically every factor, although such factors have little to do with punctuality.

b) Horn Effect –

At times, the raters may evaluate on the basis of one negative quality or features perceived. For example, the rater may observe that the ratee does not shave regularly and he may conclude that he is lazy at work. This results in overall lower rating of the employee concerned.

c) Central Tendency –

The Superior is frequently guilty of averaging work characteristics in the middle grades. This may be because he knows the ratee too well and does not want to give very low score. The superior provides 'average' rating because it will not expose his incompetency.

d) Spillover Effect –

In this case, the present performance appraisal is greatly influenced by past performance. "A person who has not done good work in the past is considered to be bad at work in the present as well"

e) Absence of uniform standards

The standards used for appraisal purpose are not uniform within the same organisation. The standards used in different departments or by different raters vary. As a result, rating becomes unscientific and employees suffer. Similarly, the rating is done on the basis of overall impression, which is not proper.

f) Personal Bias –

The way an appraiser personally feels about a ratee may drastically affect the appraiser's objectivity. Again, if the rater has good relations or connections with the ratee, he may always tend to give higher scores to the ratee, even though the ratee does not deserve such high scores. Thus outright bias may lead to favoured treatment for some employees.

g) Paper work –

Some supervisors complain that performance appraisal is pointless paper work. They complain so, because many-a-times, performance appraisal reports are found only in the files rather than serving any practical use.

h) Limited stress on self-improvement

Performance appraisal is basically for self improvement and self development of employees. For this, the evaluation needs to be systematic and

the appraisal interview should be problem solving in character. In many organisations, this aspect is not given adequate attention. As a result, the very purpose of performance appraisal is defeated.

i) The problems of Appropriate Technique –

There are a number of evaluation techniques some techniques may be easier and economical to use. Others may be time consuming, inconvenient and costly. Some appraisers may select the most convenient and simple technique rather than the more suitable but time consuming or inconvenient technique

j) Problem of confidentiality –

It is not always possible to keep the findings of performance appraisal secret. The subordinates come to know about their appraisal report in advance.

k) Violation of the cardinal rule –

A cardinal rule that is often violated is that the focus of evaluation should be on the performance output, new ideas, extraordinary efforts etc. rather than on the person. In reality it is the person being evaluated rather than his performance.

12.5 TECHNIQUES/METHODS OF PERFORMANCE APPRAISAL

There are various techniques/methods developed for performance appraisal. These techniques/ methods are as follows.

Techniques / Methods of Performance Appraisal	
Traditional Techniques	Modern Techniques
a) Check list	a) Role Analysis
b) Confidential Report	b) assessment centers
c) Critical Incident method	c) MBO
d) Ranking method	d) BARS
e) Graphic rating scale	e) Psychological Appraisal
f) Narrative Essay	f) Human Resource Accounting

12.5.1 TRADITIONAL TECHNIQUES

a) Check List -

In this case, a list is prepared containing various work related statements such as quality of work, speed etc. the rater indicates the individual performance by checking yes or no squares to various statements. The main advantages are its simplicity, convenience, less time consuming and less expensive.

b) A confidential Reports –

In this case, superiors are asked to prepare confidential reports on the subordinates assigned to them. Such reports are prepared in the case of supervisory staff and managers. Various aspect such as achievements, weaknesses, major mistakes, merits, good work done etc. are recorded in such report. It is used even at present in government departments and educational institutions, where supervisors prepare confidential report about their subordinates.

c) Critical Incident methods –

In this method, the rater records important incidents involving the ratee. If the ratee performances well in such incidents, then he is given high scores and vice-versa. For example, in a particular incident in which a salesman convinces an argumentative customer to buy the product, then the salesman’s performance may be given higher score.

d) Ranking methods –

This method involves giving ranks to the employees depending upon their possession or absence of a particular trait say consistency. An employee possessing most of the traits is given first rank and one having least qualities is ranked last with others ranked in between depending upon the possession of number of traits. This method is suitable if the number of employees is less. However exact differences in the abilities of different employees cannot be found.

e) Graphic Rating Scale -

In this method the raters use a graphic scale to appraise certain specific factors such as quality of work, quantity of work, dependability etc. This method is very simple to understand and easy to conduct. It is a time consuming method. The following is an example of graphic scale –

Instruction – For the following performance factors. Please Indicate evaluation of the employee named below.				
Employer Name		Department.....		
Rater’s Name		Date.....		
	Excellent	Good	Average	Poor
Quality of work	✓			
Quantity off work		✓	✓	
Dependability				

f) Narrative Essay –

In this method a rater is required to write a small paragraph as regards his subordinate’s strength, weaknesses, potentials and so on. It need not be treated as rating in an exact manner but a general opinion of a superior in relating to his subordinate. Comparison of performance of one employee against that of another is not possible under this method.

12.5.2 MODERN TECHNIQUE

a) **Role analysis –**

Role analysis is a process of analyzing the role of a manager in relation to roles of other managers or members who are affected by his performance.

The role set members can conduct performance appraisal of the focal role. The focal role can make necessary changes to improve this performance.

b) **Assessment Centers –**

An assessment center is a central location where managers may come together to have their participation in Job-related exercises evaluated by trained observers, managers are evaluated over a period of time say one to three days, by observing their behaviour.

In an assessment centre, the common characteristics evaluated include creativity, persuasive ability, mental alertness, communication skill, self-confidence, administrative ability, resistance to stress and so on.

c) **Management by Objectives (MBO) –**

This technique can be used to measure the performance of subordinate or lower level managers. In MBO the process involved i.e. the superior and subordinate jointly define common goals, frame plans, implements plan, review of plan etc. where performance appraisal of subordinate manager takes place.

d) **Behaviourally Anchored Rating Scale (BARS) –**

Behaviourally Anchored Rating Scale is a variation of simple graphic scale. In this case, behaviour of the employee towards the job, colleagues, customers etc. is found out. It is necessary to have a friendly and well mannered behaviour towards people with whom the employee interacts. Behaviour may also be influenced by job. Rating is given on a rating scale about the various aspects which represents the behaviour of the individual

e) **Psychological Appraisals –**

Psychology is a scientific study of human mind and its functions especially those affecting behaviour. Companies may appoint psychologist to study the employee's behaviour at the work place. Employee behaviour study can be undertaken by observing the employees, having discussion with them, giving them a questionnaire to fill and so on. Here emotional maturity, intellectual capacity, level of motivation etc. can be tested and then prediction can be done about the person's capacity.

f) **Human Resource Accounting (HRA)**

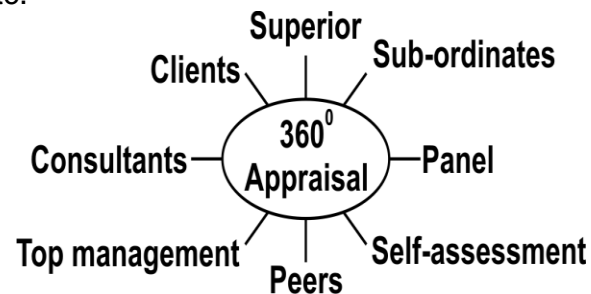
HRA deals with cost and contribution of human resources to the organisation. The cost of the employee includes cost of recruitment, selection,

induction, training, compensation etc. Employee contribution is the money value of employee service provided to the organisation. Employee performance can be taken as positive when contribution is more than the cost and vice-versa.

12.6 360 DEGREE APPRAISAL

12.6.1 MEANING

360 degree performance appraisal is appraisal done by everyone in the organisation i.e. Superior, Subordinate, peer and even self. The objective of 360 degree performance appraisal is to make the appraisal process more broad based and transparent. 360 degree makes the employee more aware about self perception and the perception that others have of employees. The general dimensions on which this appraisal can be done include leadership styles, decision making ability, interpersonal skills, self motivation etc.



12.6.2 The various parties include in 360° appraisal.

These parties are as follows:

a) Superior –

Generally speaking, employees are evaluated by their immediate superior, since he has the most accurate and direct information on the work performance of the subordinate.

b) Subordinate –

Here the subordinates evaluate the bosses. It reflects very positively on the organisation as it is encouraging two way communication. If the subordinate is unhappy with the behaviour and style of functioning of the superior it would be reflected in the adverse evaluation by the subordinates. Subordinates should however be told the criteria on the basis of which they have to appraise their seniors.

c) Panel--

360° performance appraisal can be conducted by the appraisal panel. Panel is the best placed to judge the performance of the employees. So they are best equipped to evaluate the performance. Panel involves number of person and uses these persons for evaluation of performance. It brings a positive evaluation with the help of one more person.

d) Self – Assessment

There can be self assessment. The concerned employee may be asked to appraise his performance. The purpose is to help an employee to review and control his own performance and to initiate efforts for self-development.

e) Peers –

Peer review is the review by colleagues i.e. those who are at par with the employee who has to be evaluated. Peers can be from the same department or from different departments. Most of the activities in an organisation have to be done in a group and it is essential that every employee is a proper team man. So peer review becomes important. Peer appraisal will show whether the employee is cooperative, flexible, ethical and so on. However selecting the peers for review can be little tricky. A person may be associated with few hundred people. Selecting a few out of those is difficult.

f) Top management –

Top management normally may rate the senior or middle level executives who directly report to them. They evaluate the performance of the subordinate. It is one of the parties who evaluate about the middle level personnel.

g) Consultants –

Sometimes experts in the field are appointed by the organisation to observe and evaluate the performance of employees. This type of evaluation is likely to be unbiased. However it may be very costly to appoint external consultants and it may not also be feasible for them to continuously monitor employees' performance.

i) Clients –

Major clients can also undertake performance appraisal of the employees with whom they interact. The clients are in a better position to give a feedback on the performance of those employees with whom they come into contact during the course of business transactions. The feedback given by clients can be utilized to improve strengths and minimize weaknesses of the employees.

CHECK YOUR PROGRESS

1. Define the following terms:
 - a. Performance appraisal
 - b. 360 degree performance appraisal
 - c. Halo effect
 - d. Horn effect
 - e. Central Tendency
 - f. Spillover Effect
2. Show the chart showing the techniques/methods for performance appraisal.
3. Draw the figure showing the various parties include in 360° appraisal.

12.7 EMPLOYEE RETENTION

12.7.1 MEANING

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organization. Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't they would be left with no good employees. A good employer should know how to attract and retain his employees.

12.7.2 MEASURES OF EMPLOYEE RETENTION

A company can adopt financial and non-financial measures to retain employees. Some of the measures are as follows.

a) Matching jobs and Individuals –

Each and every employee would prefer to have such job that match with their skills and interest. If the jobs his behaviour, he may remain in the organisation. Therefore company undertake some measures – most suitable placement of employees, career planning and development, promotion, preferably based on merit, flexibility to switch over from one job to another.

b) Employee Relationship Management (ERM) –

The concept of employee relationship management is developed on the pattern of consumer relationship management. It is the external response to why a firm does business, whereas, ERM is the internal response to how a firm undertakes its business activities. There are several ways of building, maintaining and enhancing employee relationship management.

c) Motivation training programmes –

The organisation may conduct motivational training programmes. Such programmes not only focus on developing knowledge and skills but to a great extent on development of right attitudes towards the work and the organisation. The motivational training programmes for executives may be organised in five-star hotels or at exotic locates and at times even in foreign countries to combine training with foreign leisure trip. Also, the training programmes need to be conducted by inspirational or motivational speakers.

d) Improvement in work environment –

The organisation may make every effort to improve the physical work environment. Measure need to be taken in respect of improvement in working conditions, provide appropriate welfare facilities, provide flexible working hours etc.

e) Stress management techniques –

Stressed employees may develop a tendency to quit, affects the efficiency, remain absent or leave the organisation. Therefore, the company must adopt stress management techniques to overcome stress and to retain competent employees.

f) Retention bonus –

Management may resort to retention bonus to retain competent employees. Nowadays, retention bonus is used at all level in the organisation. The need for retention bonus arises when employees think of quitting the job due to organisational changes on account of merger, acquisition and such other corporate restructuring changes. The retention bonus may be paid periodically or in lump sum after a certain period of years.

g) Long Tenure package –

A company may design a long-tenure package to retain employees. Only those employees that complete a certain term or tenure in the organisation may be eligible for such package. Higher the tenure, higher would be the amount of the package. This package may be paid in installments after a certain block of years.

h) Employee Participation and Empowerment –

A company may encourage employee participation. Employees may be involved in various committees and are encouraged to give suggestions. Employees who give effective suggestions are often rewarded with additional incentives including pay hike. Employee participation and empowerment motivates the employee to remain committed and loyal to the organisation.

i) Persuasive Tactics by HR manager –

The HR manager or the Chief executives may use persuasive skills to convince the employee not to leave the organisation. Such situation arises when the employees puts in his resignation papers. The management may even increase the salary and delegate more authority to high performers. The employees may be even transferred to a place of his choice. The persuasion skills and additional incentives may make the employee to withdraw the resignation.

12.8 COMPENSATION AND INCENTIVES

Compensation refers to the money and other benefits given to an employee for his services to the organisation.

ELEMENTS OF COMPENSATION

The following are the elements of a compensation package.

a) Salaries and wages –

Salaries and wages is an important element in the compensation plan. Wages paid to the worker and salary paid to the employees. Salary and wages are normally paid monthly. It includes Basic wage, House rent allowance, Dearness allowance, and City compensatory allowance.

b) Bonus –

Bonus is usually given to the employees for good performance during the year. This acts as an incentive to improve their performance. It is extra payment over and above salary given to an employee as an incentive. The employees must be given adequate rate of bonus.

c) Incentives –

The organisation paid additional amount other than wages and bonus. It is normally linked to increase in productivity. The incentives may be given on individual basis especially at management level, and on group basis especially at worker's level. It includes medical allowance, leave travel allowance, recreation allowance, educational allowance and productivity linked bonuses.

d) Special incentives –

There are certain monetary incentives offered only to deserving employees for example performance bonus, attendance bonus etc. It has a positive impact on others because they also work hard to earn these special incentives.

e) Long-term incentives –

Long-term incentives include vacation pay insurance, pension, provident fund and gratuity as well as canteen facilities, transport facilities, recreation etc. Long-term employees get extra incentives in the form of above stated benefits.

f) Profit sharing –

It is a system that distributes to the employees some portion of the profits of business. Profit sharing is based on the mutual interest of both employee and employer. Here the employee becomes interested in the economic success of the company because he stands to gain from it. This fosters team-work.

g) Health insurance –

Health insurance is a great benefit to the employees. It saves employees money as well as gives them a peace of mind that they have somebody to take care of them in bad times. It also shows the employee that the organisation cares about the employee and his family.

h) Gain sharing –

A gain sharing plan established a historical base period of organisational performance measures improvements and shares the gains with employees on the basis of some formula. The company focuses an areas like inventory levels, labour hours per unit of product, usage of materials and supplies and quality of

finished goods. These are within the control of employees and they are encouraged to identify and implement ideas to save costs.

i) Skill-based pay –

Skill-based pay is opposite to salaries and incentive which are linked to the level of performance. It rewards individual for their skills or knowledge. Employees are paid for the range and depth of skills in which they demonstrate capabilities. The employees start working at a flat wage rate and receive increases for developing new skills within their primary job or other jobs within their work area.

12.9 PERFORMANCE RELATED PAY (PRP)

12.9.1 MEANING

Performance related pay is the money paid to the employee relating to how well worker has to works at the workplace. Nowadays most of the organisations either fully or partly follow this method as there is a direct correlation between performance and pay. Better the performance better is the pay. Performance related pay works on the theory that if you offer monetary bonuses to employees for a job well done, they will perform better.

Performance related pay programs offer bonus to employees who perform especially well through meeting particular criteria or receiving high performance evaluation from supervisors. In most cases, these bonuses are a percentage of the annual salary to be paid in addition to the regular salary.

12.9.2 STEPS IN PERFORMANCE RELATED PAY

- a) Setting performance standards and the rewards associated which each performance.
- b) Individual performance is reviewed regularly against the set performance standards. In other words, performance appraisal is done.
- c) At the end of the appraisal, employees are categorised into performance groups, i.e. good performance, average performance, poor performance etc. which then helps to determine the reward.
- d) The method of reward will vary, but traditionally it involves a cash bonus or increase in wage rate or salary.

11.9.3 ADVANTAGES OF PERFORMANCE RELATED PAY

- a) It motivates the employees to put their best foot forward as they know that their efforts would be rewarded.

- b) Performance based methods can provide a level of standardisation in employee evaluations.
- c) Performance based models reduce fears of favouritism and make the employer's expectations clear.
- d) Employees would be secure in knowing that their performance was evaluated objectively according to the standard of their work instead of the whims of a supervisor.

12.9.4 DISADVANTAGES OF PERFORMANCE RELATED PAY

- a) Performance of a complex job as a whole is reduced to a simple, often single measure of performance. This is unfair to the employees doing complex job as money alone may not be the only criteria to perform complex job.
- b) There may be disputes about how performance is measured and whether an employee has done enough to be rewarded.
- c) Rewarding employees individually does very little to encourage teamwork.
- d) It may encourage unhealthy rivalry between managers.
- e) There is much doubt about whether performance related pay actually does anything to motivate employees. This may be because the performance element is usually only a small percentage of total pay.
- f) If performance related pay is implemented carelessly, standards have been a source of significant stress and low morale.
- g) If the difficulties in performing the job vary then it becomes difficult to lay down the bench mark for evaluation.
- h) Performance is hard to objectively evaluate at times specially in service sector like education, bank, medicine etc. This makes performance related pay difficult to fairly assess and can cause dissatisfaction and feelings of inequity in the workplace.

12.10 SUMMERY

Performance appraisal is a critical evaluation of performance of employees at work by their superiors or others who are familiar with the techniques of performance appraisal. Performance appraisal is beneficial for performance feedback, training and development, validation of selection process, promotion and placement, compensation decisions, transfers and demotions, documentary evidence, feedback in the field of

personnel research, maintaining good management and labour relations, effective means of communication.

Though beneficial it has some limitations such as: Halo Effect, Horn Effect, Central Tendency, Spillover Effect, Absence of uniform standards, Personal Bias, Paper work, Limited stress on self-improvement, The problems of Appropriate Technique, Problem of confidentiality, Violation of the cardinal rate etc.

Check list, Confidential Report, Critical Incident method, Narrative Essay are the traditional methods and Role Analysis, assessment centers, MBO, BARS, Psychological Appraisal, Human Resource Accounting are the modern techniques of Performance Appraisal.

360 degree performance appraisal is appraisal done by everyone in the organisation i.e. Superior, Subordinate, peer and even self.

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project.

Compensation refers to the money and other benefits given to an employee. Salaries and wages, Bonus, incentives, Long-term incentives, Profit sharing, Health insurance, Gain sharing, Skill-based pay etc are some of the elements of Compensation.

Performance related pay is the payment made to the employee relating to his performance.

12.11 EXERCISE

- a) Describe the uses or benefits of performance appraisal.
- b) What the limitations of performance appraisal?
- c) Explain the various techniques of performance appraisal?
- d) What is compensation? Explain the elements of compensation.
- e) Write short notes on
 - i) 360° Degree appraisal.
 - ii) Measures of employee retention.
 - iii) Performance Related pay



HUMAN RELATIONS

Unit Structure

- 13.0 objectives
- 13.1 Introduction of Human Relations
- 13.2 Definition of Human Relations
- 13.3 Importance of Human Relations
- 13.4 Leadership
- 13.5 Styles/Types of Leadership
- 13.6 Summary
- 13.7 Exercise

13.0 OBJECTIVES

After studying this chapter students will be able to –

- Understand the concept of human relations
- Define the Concept human relations
- Explain the nature of human relation
- Explain the importance of human relations
- Know the traits of effective leaders
- Identify the different style of leadership

13.1 INTRODUCTION

Human relations refer to the interaction with the people. Employees in an organization having different culture, education, income, attitude experience, behaviour, aspiration etc. It is essential to develop a proper interface between them as any breakdown can have adverse effect on the Job situation and the productivity in the organization. However developing conducive environment is not easy. The manager needs a lot of skill and patience to develop proper relations within the organization.

13.2 DEFINITION OF HUMAN RELATIONS

According to Dalton MC Farland defines – “Human relations are the study and practice of utilising human resources through knowledge and through an understanding of the activities, attitudes, sentiments and inter – relationships of people at work”.

Nature/Features of human relations

Following are the nature/features of human relations,

(a) Process of motivation -

Human relations is a process of developing, maintaining and enhancing motivation of individuals. Human relations process is undertaken to achieve a balance between company objectives and satisfaction of employees. Various activities are undertaken in the process of developing and enhancing human relations such as improvement in working conditions, training, welfare facilities, working condition, fair wages etc.

(b) Knowledge of human behaviour -

Human relation improvement requires a good knowledge of human behaviour. Manager needs to find out – How people behave under different situations, why people behave in a certain manner? Manager need to understand human behaviour to develop human relations in the organization. Manager should understand the feelings and emotions of people and accordingly manage them.

(c) Integrated approach –

Human relations is an integrated approach of maintaining and improving relations. The study of human relation derived knowledge from different disciplines such as psychology, sociology, economics, political science, physiology, science of semantics, management, and so on. For example, the discipline of psychology helps to study human behaviour at work. And the study of sociology deals with group dynamics, informal groups, and so on.

(d) All pervasive -

Human relations approach is touches all walk of life. It is required in business and non–business organizations, small and large organisation, at all levels in the organization etc. Every organization consists of people, and therefore, the need arises to develop good relations with human resources.

(e) Employee welfare –

Human relations approach is touches all walk of life. It aims at development of employees in the organisation. Therefore, management needs to provide emphasis on all those areas that help to generate employee welfare, such as provision of welfare facilities like canteen, recreation, crèche and rest

rooms. Also emphasis needs to be placed on good working conditions and relationships between superior and subordinates.

f) Continuous Activity –

Human relations is a continuous activity, managers should take continuous efforts to improve human relations in the organisation. Employees have feelings and emotions, which change depending upon changes in the work environment and external environment. Therefore, there is a need for continuous monitoring of human relations.

g) Improves morale and job satisfaction –

Human relations improve group morale and individual job satisfaction when management makes efforts to maintain and improve relations, employees work with cooperation, commitment and dedication.

h) Goal Oriented –

Human relations is a goal-oriented approach. Emphasis is placed on achievement of organisational goals such as increase in productivity, improve corporate image, reduce absenteeism, labour turnover, customer satisfaction, loyalty etc.

13.3 IMPORTANCE OF HUMAN RELATIONS

Maintaining and improving human relations brings benefits to the organisation and to the employees. The importance of human relations is explained as follows –

a) Improves productivity –

Human relations leads to increase in labour productivity in particular and overall organisational productivity in general. Better relations leads to better coordination and communication and thereby better productivity. It leads to get higher output at lower inputs.

b) Innovation –

Better human relations approach of management and employees are motivated to come up with innovative ideas, such as new designs, new schemes, new processes etc. Innovation gives competitive advantage to the firm in the market.

c) Job satisfaction –

Better relation improves the morale of the employees. Higher morale generally leads to better performance and job satisfaction amongst staff. Employees need a high level of job satisfaction leads to greater commitment on the part of employees.

d) Employee Participation –

Due to human relations approach, employees get an opportunity to participate in decision making, especially in those matters affecting their interests. Management encourages employees participation in management, so as to enhance productivity and job satisfaction.

e) Reduction in labour disputes –

Unhealthy relations can give rise to mistrust, hatred and ultimately labour disputes. So it is necessary to built better human relations which can reduce labour dispute, violation of labour laws and less litigation in the court of law.

f) Informal Relations –

An organisation works not only through formal relations, but also through informal relations. Informal relations reduce work pressure and stress on the employees. Due to human relations approach, managers encourage informal relations in the organisation at all levels.

g) Reduction in labour turnover –

Employees leave organisation when they are not satisfied either with the work assigned to them or due to unhealthy relationships prevailing in the organisation. High labour turnover can adversely affect the flow of work. Better human relations can reduce labour turnover.

h) Improvement in communication –

The success of an organisation largely depends on the effective means of communication in the organisation. Due to human relations approach, management encourages up ward communications. Employees are encouraged to express their views and opinions on the policies and practices of management. Professional firms adopt open-door policy whereby even the lowest level employee can present his view to the top management if required.

i) Better working condition –

Every organisation has a collection of individuals generally from diverse background. In order to achieve individual or organisational goals effectively it is essential to create conditions which are conducive for working. Better human relations create better working conditions.

j) Better utilisation of resources –

Better relations leads to have better coordination and better team spirit, thereby ensuring better utilisation of resources. There is clarity in the role of different individuals thereby avoiding duplication of work.

k) Effective control –

Better human relations leads to better cooperation and work being completed on time. It requires less control as the employees are generally aware of their role and are likely to help their colleagues

13.4 LEADERSHIP

Leading is one important function of management only next to planning and organising. It is the liveliest element in the management process. It initiates actions to translate the decisions into concrete actions. Managers have to lead their subordinates. Leading, involves directing, influencing and motivating employees to perform essential tasks.

Leadership is followership. A good leader leads but does not push. Effective leadership can guide a group towards certain ideals without exerting much force. Managers who possess the quality of guiding and directing the subordinates under inspired impulses can be called business leaders.

13.4.1 Definitions of Leadership –

- a) **According to Koontz and O Donnell**, “Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.”
- b) **According to George Terry**, “Leadership is the activity of influencing people to strive for mutual objectives”.

13.4.2 Traits/qualities of Effective Leaders -

To be a good leader, one must possess good qualities. The qualities of a leader are stated as follows –

a) Good Personality –

A leader with a dynamic personality finds it much easier to get the group to work in a better manner. Personality is the sum total of physical and mental attributes of an individual. In fact, the only quality required for leader is good personality.

b) Intelligence –

The leader must have knowledge and intelligence to handle the technical aspects of the problems that the group encounters. His competency is highly necessary for him to get the respect of the group members.

c) Initiative –

The leader must have the quality of initiative so that he on his own takes upon himself the responsibility of the group and the activities to be performed which in turn would motivate the group members to perform better.

d) Innovative –

A leader needs to have an innovative mind. He should have the imagination to develop new ideas or new ways in handling the activities. Followers expect their leader to be innovative. This is because they like to undertake new and challenging activities.

e) Self confidence –

Self-confidence is a rare quality because of which a person feels that he has capacity to solve his problems independently. This self-confidence creates initiative to deal with all challenging situations effectively.

f) Communication skill –

An ideal leader should be a good communicator. He must be able to communicate his thoughts and ideals, to his subordinates in an accurate manner. Even motivation of following is possible easily, if the leader is an effective communicator.

g) Coach and guide –

The leader should act as a coach and a guide to direct the efforts of his subordinates. As a coach, he may actively direct his followers as to what to do, how to do and whom to do a particular activity. As a guide, he may provide advice as and when the followers require to carry out their activities.

h) Ability to Judge –

Manager as a leader should be able to judge people and situations. He has to take decision quickly and also correctly as per his judgement of the situation.

i) Human skills -

A good leader is the one who commands popular following. And to have good following the leader should have good inter-personal skills to understand others. The knowledge of human skill is very important to the leader as he constantly interacts with his skills.

j) Administrative skills –

A leader should possess the skill to plan, organise, direct, co-ordinate and control effectively which is highly essential for the efficient functioning of the group.

k) Discipline –

A discipline leader is always in a better position to enforce discipline amongst the group members which is absolutely necessary for the proper performance of the group. A good leader must be a disciplined person.

l) Patience –

Most of all, a leader needs to have good patience. He should have patience to take appropriate decision and not hasty decisions. He also needs patience to listen to the views, opinions and complaints of his followers.

CHECK YOUR PROGRESS

1. "Maintaining and improving human relations brings benefits to the organisation and to the employees". Discuss.
2. "Effective leadership can guide a group towards certain ideals without exerting much force." Explain.
3. Enlist the features of human relations.
4. Define the terms:
 - a. Human relations
 - b. Leadership

13.5 STYLES/TYPES OF LEADERSHIP

The behavior exhibited by a leader during supervision of subordinates is known as leadership style. There are as many different styles of leadership as there are leaders. Following are the styles/types of leadership.

a) Autocratic style –

An autocrat is the one who takes all decisions by himself and expects to be obeyed by his subordinates. The subordinates have no scope to question the superior. This style functioning can be summarised such as the superior makes the decision, consult the subordinates in decision making, responsible for the decision, the relations between superior and subordinates are formal etc.

b) Bureaucratic style –

Bureaucratic style is mainly found in Government departments. The leader takes decision strictly by following rules, regulations and formalities. There is no participation of subordinates in decision – making and in case it is there, then again it is to comply with rules and regulations. The leader does not take up responsibility. The relationship between superior and subordinate is very formal. This style believes in more of maintaining records and documentation which leads to delay and red-tapism.

c) Consultative style –

Consultative style, the leader consults his subordinates before taking a decision. The leader feels that it is always advisable to consult the subordinates. These types of leader are more open minded and would welcome suggestions from the subordinates before making a decision.

Certain points to be noted in this respect are –

- The superior consults the subordinates before making a decision.
- The subordinates may give their suggestions or comments, which the superior may or may not accept.
- The superior makes the decision and responsible for the decision.
- The relations between superior and subordinates are informal.

d) Participative style –

Participative style leader not only consults the subordinates, but allows them to take part in decision making.

The following points are to be noted –

- The superior consults his subordinates before making a decision.
- The leader along with the group takes part in decision making.
- Both the leader and the group share the responsibility for making the decision.
- The relations are informal.

e) Laissez –Faire style –

Laissez faire style involves minimum interference of the management in the day to day functioning of the business.

Its peculiarities being –

- Maximum freedom is given to employees.
- If subordinate are professional then this can be the best style of management.
- The superior is more at a facilitator than boss.
- Most of the decisions taken by subordinates.
- The relations are very informal.

f) Paternalistic style –

In paternalistic style the leader considers himself as a parent figure and takes decision which he deems best for the group. This style aims at creating a family atmosphere within the organisation. The following points to be noted-

- This style is mostly followed in Japanese organisation.
- The leader considers himself as a parent figure and consults his subordinates.
- Mostly the leader takes the decision.
- The leader is responsible for decision making.
- The relations are very hoarsely.
- This is more suitable in small organisation.

g) Sociocratic style –

Sociocrats attempt to run their organisation like a social club. They believe in a warm and pleasant social atmosphere. From them, the interest of the subordinates comes first, and then that of the organisation.

The following points to be noted.

- The superior takes a decision by keeping the interest of the subordinates.
- The interest of organisation may be secondary.
- The superior consults the subordinates for decision making.

h) Neurocratic style –

A neurotic person is an abnormally sensitive person. So a neurocratic style involves managing an organisation more by emotions than by rational judgment.

The following points to be noted-

- The leaders are obsessed with success and want to achieve it under any circumstances.
- They take decisions by themselves. But in case of failure they may shift the responsibility to subordinates.
- The leader is highly sensitive, emotional and eccentric.

i) Situational style –

Now-a-days, in most well managed organisations, the managers follow situational leadership style. This means, the leadership style varies depending upon the situation. In a given situation he may have to be autocratic and in another situation he may have to be participative or bureaucratic. Thus, a leader should adopt the style most suitable to the given situation which can be formed as “The situational style.”

13.6 SUMMERY

Human relations refer to the interaction with the people. The points explaining the nature of Human relations are: process of developing, maintaining and enhancing motivation of individuals, good knowledge of human behavior, an integrated approach of maintaining and improving relations, all pervasive, continuous activity, improve group morale and individual job satisfaction, goal-oriented approach.

Human relations process is beneficial to the organisation and to the employees as it: Improves productivity, motivates to come up with innovative ideas, Job satisfaction, participates employees in decision making, reduces labour dispute, encourages informal relations, reduces labour turnover, encourages to employees to express their views and opinions, creates better working conditions, leads to have better coordination and better team spirit, leads to better cooperation.

Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. An individual having the qualities like good personality, intelligence, initiative, innovative, self confidence, communication skill, act of coach and guide, ability to judge, knowledge of human skill, administrative skills, discipline, patience can becomes a good leader.

There are as many different styles of leadership such as: Autocratic style, Bureaucratic style, Consultative style, Participative style, Laissez faire style, Paternalistic style, Sociocratic style, Neurocratic style, Situational style etc.

13.7 EXERCISE

- a. Explain the nature of human relations.
- b. Discuss the importance of maintaining human relations.
- c. Explain traits of an effective leader.
- d. What are the different styles of leadership?
- e. Define the following terms:
 1. Autocratic style
 2. Bureaucratic style
 3. Consultative style
 4. Participative style
 5. Laissez faire style
 6. Paternalistic style
 7. Sociocratic style
 8. Situational style



14

MOTIVATION

Unit Structure

- 14.0 Objectives
- 14.1 Introduction of motivation
- 14.2 Definition and Factors affecting of motivation
- 14.3 Maslow's theory of motivation
- 14.4 Herzberg's two factor theory
- 14.5 Mc. Gregor's theory X and theory Y

- 14.6 Employee Morale
- 14.7 Importance of Employee morale
- 14.8 Grievance
- 14.9 Grievance procedure/steps
- 14.10 Summary
- 14.11 Exercise

14.0 OBJECTIVES

After studying the chapter the students will be able to –

- Understand the concept motivation.
- Define the motivation.
- Explain the factors affecting motivation
- Understand the motivational theories – Maslow’s theory of motivation, Herzberg’s two factor theory and Mc. Gregor’s Theory x and y.
- Identify the nature and importance of employee morale.
- Explain Guidelines for handling grievance and grievance procedure.

14.1 INTRODUCTION

The term motivation is derived from the Latin word ‘Movere’ which means to move. Motivating means encouraging people to take more initiative and interest in the work assigned. It is an art of getting things done willingly from others.

Motivation avoids clashes and non-cooperation and brings harmony, unity and co-operative outlook among employees. Managers have to work as motivators of their subordinates. For this, effective communication proper appreciation of work done and positive encouragement are necessary and useful. Motivation is inspiring and encouraging people to work more and contribute for achieving the objectives of the company.

The creation of the desire and willingness to perform the job efficiently is what is generally known as motivation.

14.2 DEFINATION AND FACTORS AFFECTING OF MOTIVATION

14.2.1 DEFINATION

- a) **According to W. G. Scot**, “Motivation means a process of stimulating people to action to accomplish the desired goals.”
- b) **According to Flippa**, “motivation is the process of attempting to influence others to do your will through the possibility of gain or reward.”

14.2.2 FACTORS OF AFFECTING MOTIVATION

Clarence Francis, the former chairman of General Foods (USA) once remarked

–
“You can buy a man’s time, you can buy a man’s physical presence at a given place but you cannot buy his initiative, you cannot buy loyalty. You have to earn these things.” Therefore motivation plays that much important role to do the work willingly and create loyalty, initiative in the minds of the staff.

Following are the factors of motivation

Motivation Factors

Monetary Factors

- a) Salaries and wages
- b) Bonus
- c) Incentives
- d) Special Individual Incentives

Non-monetary Factors

- a) Status or job title
- b) Appreciation and Recognition
- c) Delegation of Authority
- d) Working conditions
- e) Job security
- f) Job enrichment
- g) Workers participation
- h) Other factors

1. Monetary Factors

a) Salaries and wages -

Every employee takes up a job to earn a reasonable salary or wage. And this has always been a motivational factor. Motivation to work is low if there is not adequate compensation for the work done. At the same time a reasonable salary/wage structure is certainly motivating.

b) Bonus –

Bonus is a monetary reward given to employees which is linked to the total productivity/ profitability of the organisation. Higher the profits, higher the bonus. In India bonus is paid annually.

c) Incentives –

The organisation may also provide additional incentives, such as medical allowance, leave travel allowance, house rent allowance, educational allowance, recreation allowance and so on.

d) Special Individual Incentives –

There are certain monetary incentives offered only to deserving employees. For example performance bonus, attendance bonus etc. It has a positive impact on others because they also work hard to earn these special incentives.

2. Non-monetary factors

a) Status or Job title –

By providing a higher status or designation, the employee can be motivated. For example, it is advisable to designate a service mechanic with the designation titled as “service engineer”. Employees prefer and are proud of higher designations.

b) Appreciation and Recognition –

Hard work and sincere efforts of the employees if appreciated and recognised by superiors can be extremely motivating. This reaffirms to the employee that the management is aware of his contributions.

c) Delegation of Authority –

Due to delegated of authority, a subordinate employee feels that superior has faith in him and also in his ability to use authority in a proper manner. Employees get mental satisfaction when authority is given to them. They take interest and initiative in the work and try to prove that they are competent to work at the higher levels. Thus, delegation of authority becomes a motivating factor.

d) Working conditions –

It is a non-financial incentive for motivation. Employees should be given various facilities and conveniences at the work place. The work environment should be pleasant, safe and reasonably comfortable. This creates desire to work efficiently.

e) Job security –

Guarantee of job security or lack of fear of dismissal etc. can also be a good way to motivate employees. Employees who are kept temporarily for a long time may be frustrated and they may leave the organisaiton.

f) Job Enrichment –

This involves providing more challenging tasks and responsibilities. Job enrichment can be done by giving the employees more freedom to take decisions, encouraging participation of subordinates and interaction between workers etc. This would make the job of the employees more meaningful and satisfying.

g) Workers Participation –

When superiors encourage workers to participate in decision-making this appeal to their sense of affiliation and acceptance and also increase their knowledge and awareness about their work and thus encourage them to perform better.

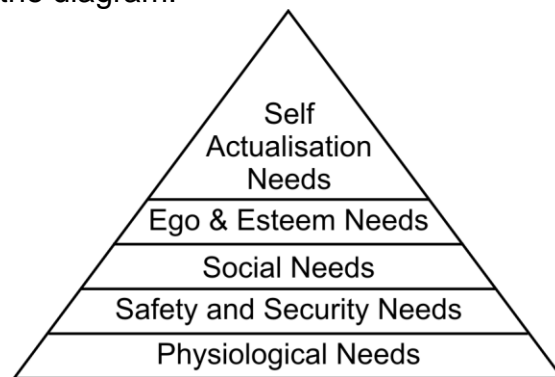
h) Other Factors –

There are several other factors of motivating the employees i.e. providing training to the employees, proper job placement, proper promotions and transfer, proper performance evaluation and feedback, flexible working hours, if possible, proper welfare facilities such as canteen, recreation centers etc.

14.3 MASLOW'S THEORY OF MOTIVATION

In 1943 Abraham Maslow suggested his theory of human motivation. In his theory, he identified five sets of human needs arranged in a hierarchy of their importance and priority. He concluded that when one set of needs is satisfied, it ceases to be a motivating factor. Thereafter, the next set of needs in the hierarchy takes its position. These needs in the hierarchy can be compared to a pyramid.

The five sets of needs are managed in a hierarchy of their importance to individuals as shown in the diagram.



a) Physiological Needs –

These are the basic needs for sustaining human life. These needs include food, shelter, clothing, rest, air, water sleep and sexual satisfaction. These basic human needs lie at the lowest level in the hierarchy of needs as they have priority over all other needs. These needs cannot be postponed for long.

b) Security/Safety Needs –

These are the needs connected with the psychological fear of loss of job. Property, natural calamities or hazards etc. An employee wants protection from such types of fear. He prefers adequate safety or security in this regards i.e. security of job, pension for old age and insurance cover for life. The safety needs come after meeting the physiological needs.

c) Social needs –

Man is a social animal. He likes to be sociable i.e. liking the company of other people. A person's desire is to be accepted and liked by the society. These needs will arise only if physiological and safety needs are satisfied.

d) Esteem Needs –

This category of needs include the need to be respected by others, need to be appreciated by other, need to have power and finally need to have prestigious position. Once the previous needs are satisfied, a person feels he should be held in esteem both by himself and also by others. This is the personal ego which needs to be satisfied. The organisation can satisfy this need by giving recognition to the good work.

e) Self-actualisation Needs –

These needs lie at the highest level of the hierarchy of needs. Very few people have such needs. Such needs induce a person to accomplish something special which others have not done or cannot do. For example the need for challenging jobs, the need for highest level of promotion, the need to be a leader of special project etc. Self-actualisation needs enable a person to realize his full potential.

14.4 HERZBERG'S TWO FACTOR THEORY

Fredrick Herzberg developed the two factor theory in 1950's. In-depth interviews of over 200 engineer and accountants were conducted. The respondents were required to describe the type of work related environment in which they felt comfortable or uncomfortable. The objective was to find those factors which motivated them, known as motivational factor and those which prevented dissatisfaction known as hygiene factors.

a) Hygiene factors –

According to Herzberg, the hygiene factors do little contribution to provide job satisfaction. He called them 'dissatisfiers' as their absence cause dissatisfaction but their presence is not motivating but only prevent dissatisfaction. The hygiene factors meet man's needs to avoid unpleasantness but also do not motivate them to take more interest in the work. These factors are related to the conditions of work than with the work itself. Such factors are – company policies and administration, supervision, working conditions, Interpersonal relations with superiors and other subordinates, salary, Job security, status and personal life.

b) Motivating Factors –

Motivational factors mean those factors which would induce employees to work harder or which would impel them to increase their efficiency and work at optimum level. These factors have a positive influence on the performance of the employees. Motivational factors are enumerated below –

People need appreciation for the work they do. Any good behaviour should be appreciated immediately.

Any innovative suggestion should be recognised by the management. It tends to boost the morale of workers.

The job should be challenging rather than a routine one. This will motivate the employees as they can be more creative and this will give them a chance to utilise their latent talents.

It may be noted that hygiene factors when satisfied, tend to eliminate dissatisfaction but do not motivate an individual for better performance. The motivating factors will permit an individual to grow and develop in a natural way. In brief, hygiene factors affect an individual's willingness to work, while motivating factors affect his ability and efficiency to work. This theory can be compared to Maslow's theory of human needs as both the theories refer to needs and their role in motivation.

14.5 MC GREGOR'S X AND Y THEORY

Douglas Mc Gregor's developed the concept of theory x and theory y in 1960. Various assumptions were made by managers about workers. Let us bring out the difference in the assumptions made by managers under theory x and theory y.

Theory x	Theory y
<p>a) Creativity -</p> <p>Theory x assumes that people are not creative. They are dull and lack rational thinking</p>	<p>Theory y assumes that people are creative. They can come up with innovative ideas, if properly motivated.</p>
<p>b) Responsibility -</p> <p>People avoid taking up responsibility, have a tendency to pass the buck</p>	<p>people are responsible and accept responsibilities for their tasks.</p>
<p>c) Activeness -</p> <p>People are basically lazy. They love to hate working. They given excuses for not doing work</p>	<p>People are active and alert. They take work as sports if the conditions are favourable.</p>
<p>d) Challenges -</p> <p>People prefer to do routine and regular work and do not want to take up any kind of challenging tasks.</p>	<p>People prefer challenging tasks and want to have a sense of achievement</p>
<p>e) Followers/Leaders -</p> <p>People prefer to be followers. They seek guidance and</p>	<p>People prefer to be independent. They want</p>

directions from their superior at all times. | freedom in their work. They would like to lead and guide others

f) **Orthodox / Flexible -**

People are orthodox in nature. They do not want to accept new and creative idea.

People are ready to accept new and creative ideas. They prefer to change with the changing situations.

g) **Opportunities -**

People do not take advantage of opportunities that come in their way.

People are ambitious and are willing to grab opportunities.

h) **Lower / Higher Level needs -**

This theory assumes that lower level needs like job security dominate individuals.

This theory assumes that higher level needs like esteem needs dominate individuals.

i) **Motivation -**

People can be motivated by catering to the lower level needs like job security. Working condition etc.

People can be motivated by catering to the higher level needs like esteem and self actualisation needs.

j) **Nature of people -**

Peoples are selfish and work for their personal interest only.

People are selfless and work in the interest of their organisation

k) **Leadership style -**

Autocratic style of leadership is best suited to get work done.

Situational style of leadership is best suited to get work done.

l) **Centralisation / Decentralisation -**

This theory places emphasis on centralisation of authority

This theory places emphasis on decentralisation of authority.

Conclusion -

Theory x is unsuitable in modern times as it supports an authoritarian view which may not work in modern times. By making such assumptions about labour the organisation might even succeed in the short run but in the longer run there would be lot of resentment and discontent amongst workers.

On the other hand theory y represents a democratic style of management. It believes in improving productivity by putting emphasis on utilising inner motivation. It focuses on a joint effort between management and employees to achieve objectives.

Even Mc Gregor feels that theory y would be more relevant and applicable in modern times.

CHECK YOUR PROGRESS:

1. Enlist the factors affecting motivation.
2. Define the following terms:
 - a. Motivation
 - b. Monetary factors
 - c. Non-monetary factors
 - d. Hygiene factors
 - e. Motivating factors
3. Draw the chart showing the Motivational factors.
4. Draft the diagram explaining hierarchy of needs in Maslow's Theory.

14.6 EMPLOYEE MORALE

14.6.1 MEANING AND DEFINITION

Morale means spirits. Morale is a mental condition which determines enthusiasm to work. High employee morale is a state of mind where the employee has high enthusiasm to work.

Definition of morale

According to Flippo, "morale is a mental condition or attitudes of individuals and groups which determine their willingness to cooperate."

14.6.2 NATURE / FEATURES OF MORALE

Following points explain nature of morale:

a) Group phenomenon –

Morale is a group phenomenon. It describes the overall group satisfaction. Group morale is especially important to monitor since individuals often take social cues from their co-workers and adopt their own attitudes to conform to those of the group.

b) Effect on productivity –

Morale can have a direct effect on productivity. High morale leads to high productivity due to the co-operative spirit of the employees. Low morale leads to low productivity because employees lack the willingness and motivation to work.

c) Types of morale –

Morale can be high or low. High morale exists when employee attitudes are favourable to attain objectives. Low morale exists when there is lack of willingness on the part of employees to achieve organisational objectives.

d) Modified by management –

Management can modify the morale of the employees. A low morale can be corrected by creating a favourable work environment, and by adopting employee – oriented policies and practices. For example, improvement in working conditions and welfare facilities may lead to higher morale, which in turn can increase efficiency of the employees.

e) Long-term benefits –

Morale can generate long term benefits to the organisation. High morale leads to higher performance in terms of quality and quantity of goods and services. This creates a good image of the firm in the minds of customers, and others. Therefore, the image of the firm may generate loyalty on the part of customers, suppliers and dealers.

f) Individual and Group morale –

Morale can be of an individual or of a group. An individual morale is high when one has realistic level of expectations and makes efforts to fulfill those expectations. Group morale reflects the team spirit within the group. Nowadays, group morale is vital to organisation, as organisations operate through groups.

g) Achievement of organisational goal –

Morale facilitates the attainment of organisational goals. Employees with high morale display the lower tendency to remain absent, less likely to quit the organisation; make efforts to reduce costs and wastages. Give suggestions for improvement, cooperate with management, display good corporate citizenship behaviour etc.

There are make the employees committed to achieve higher efficiency and productivity.

h) Measurement of morale –

The morale of employees can be measured by conducting morale surveys and exit interviews. The management may also consider certain indicators such as rate of employee absenteeism and turnover, rate of productivity, rate of accidents or machine breakdown, number and nature of grievances, conflicts and disputes, waste and scrap, quality of output etc.

14.7 IMPORTANCE OF EMPLOYEE MORALE

Following are the importance of employee morale

a) Increased productivity –

Productivity of an employee depends to a greater extent on his morale. There is a direct correlation between morale and productivity. Higher the morale, higher is the productivity and vice versa.

b) Low labour turnover –

Workers who are dissatisfied with the type of work assigned to them have low morale such workers are likely to quit the organisation. High labour turnover is likely to affect the overall productivity of the organisation. So in order to reduce turnover, it is essential to have a high morale amongst them.

c) Reduced accidents –

Employees having high morale are likely to be more involved with their work. This is likely to reduce the accidents that occur at the place of work.

d) Reduced absenteeism –

A person with high morale generally has more enthusiasm for work. This reduces the absenteeism at the work place. High absenteeism is likely to affect the work flow adversely.

e) Improve work culture –

Employees having high morale is likely to have a positive attitude towards the work this is likely to improve the work culture of the organisation.

f) Job satisfaction –

A person having high morale is likely to be more satisfied with the job in hand job satisfaction is essential for bringing out innate strength of employees.

g) Less Supervision –

A person having high morale is likely to work intensely and passionately towards achieving individuals and organisational goods. This would automatically necessitate less supervision.

14.8 GRIEVANCE

14.8.1 MEANING AND DEFINITION

Grievance is a ground for complaint. Grievance is a feeling of injustice at the work place. It may be actual or perceived. In an employee – employer relationship there can be situations where the employee feels dissatisfied on some action or a decision taken by the employer or the colleagues. In such a situation he feels the need to bring that cause of dissatisfaction to the knowledge of the concerned authority. Thus he files a complaint through a formal channel, generally a grievance redressal cell.

Definition of grievance

According to Dale Yoder defines “grievance is a written complaint filed by an employee and claiming unfair treatment”.

14.8.2 GUIDELINES FOR HANDLING GRIEVANCES

- a) A grievance redressal cell must be constituted
- b) All grievances should be considered important.
- c) The aggrieved party should be met in person and should be allowed to express his grievance fully.
- d) A time frame should be laid for resolving the grievance.
- e) It must be ensured that all procedural formalities relating to grievance redressal have been complied with.
- f) All grievances should be put forth in writing.
- g) The redressal which the aggrieved employee is seeking must be understood.
- h) The law pertaining to the grievance must be studied.
- i) A positive environment where the aggrieved employee may not hesitate to air his grievance must be created.
- j) Organisations must have suggestion boxes at different places.
- k) All facts pertaining to the issue should be gathered in order to understand the implication of the grievance.

14.9 GRIEVANCE PROCEDURE / STEPS

Generally, grievance handling procedure involves a six-stage procedure, which is stated as follows

a) Resolving by Immediate superior –

The aggrieved employee presents his grievance to his immediate superior. The superior may take suitable action, if his is empowered to do so. If the superior is not empowered to take appropriate action, he may take permission from higher authorities to take suitable action to redress the grievance.

Normally, the grievance is to be redressed with us hours (2 days) of the presentation of the grievance. If the employee is satisfied with the action taken by the superior, the grievance is over. If he is not satisfied, he may resort to the second stage.

b) Submit to department head –

If the concerned appointed person does not answer in stipulated time or if the aggrieved person is unsatisfied with the decision, he can approach the departmental head who is supposed to answer within three days.

c) Grievance Committee –

ON getting an unsatisfactory response from the departmental head the aggrieved person can approach grievance committee which has to communicate its recommendation within three days.

d) Appeal for Revision –

If the decision of the management is not communicated to the aggrieved employee within the stipulated period of 3 days, or if the management decision is unsatisfactory, the employee has the right to appeal to the management for revision. The management may review its decisions and communicate its decision to the employee within 7 days of the presentation of employee's appeal for revision.

e) Voluntary Arbitrator –

The grievance may subsequently be referred to voluntary arbitrator if the aggrieved party is not satisfied with the decision of the management. The arbitrator is appointed with the mutual consultation between the management and workers union. Both the parties may agree that the decision of the arbitrator will be binding on both the parties. i.e. management and the employee.

f) Financial decision –

The arbitrator goes through the grievance and the decision taken at the earlier stages. He will hold deliberations with the management and the workers union. Finally the arbitrator gives his ruling, which is normally final and binding on both the parties.

14.10 SUMMARY

The creation of the desire and willingness to perform the job efficiently is generally known as motivation. The factors affecting motivation are divided into two groups i.e. Monetary Factors and Non-monetary Factors.

Monetary Factors include: Salaries and wages, Bonus, Incentives and Special Individual Incentives etc.

Non-monetary Factors include: Status or job title, Appreciation and Recognition, Delegation of authority, working conditions, Job security, Job enrichment, Workers participation etc.

Maslow's-Hierarchy of Needs Theory was proposed by Abraham Maslow and is based on the assumption that people are motivated by a series of five universal needs. Maslow's hierarchy of needs – is often portrayed in the shape of a pyramid, with the

largest and most fundamental levels of needs at the bottom, and the need for [self-actualization](#) at the top.

Management theorist Fredrick Herzberg's two-factor theory of motivation suggests that there are two components to [employee motivation](#) in the workplace. In 1959 Herzberg suggested that the sets of circumstances that make people unsatisfied at work (hygiene factors) are a different set from the sets of circumstances that make people satisfied (motivating factors). This was the result of interviews he conducted with 200 engineers and accountants in Pittsburgh, Pennsylvania, who were asked what made them feel bad about their jobs (dissatisfier) and what made them feel good about their jobs (satisfier).

Theory X and Theory Y represent two sets of assumptions about human nature and human behavior that are relevant to the practice of management. Theory X represents a negative view of human nature that assumes individuals generally dislike work, are irresponsible, and require close supervision to do their jobs. Theory Y denotes a positive view of human nature and assumes individuals are generally industrious, creative, and able to assume responsibility and exercise self-control in their jobs.

Employee morale describes the overall outlook, attitude, satisfaction, and confidence that employees feel at work. When employees are positive about their work environment and believe that they can meet their most important needs at work, employee morale is positive or high. If employees are negative and unhappy about their workplace and feel unappreciated and as if they cannot satisfy their goals and needs, employee morale is negative or low.

The main features of Moral are: Morale is a group phenomenon, It directly effect on productivity, it can be high or low, it can generate long term benefits, it can be related to an individual or of a group, it facilitates the attainment of organisational goals, it can be measured by conducting morale surveys and exit interviews.

Employee's Moral increases productivity, decreases labour turnover, reduces accidents, reduces absenteeism, improves work cultural and reduces supervision.

Grievance is a ground for complaint. Grievance handling procedure involves: resolving by immediate superior, submit to department head, grievance Committee, appeal for Revision, voluntary Arbitrator, financial decision etc.

14.11 EXERCISE

- a) What factors influence motivation of employees ? Discuss.
- b) Explain indetail Maslow's need hierarchy theory.
- c) Enumerate the two factor theory on human motivation propounded by R. Herzberg.

- d) Discuss Mc Gregor's Theory x and theory y.
- e) Explain the nature of morale.
- f) What are the importance of employee morale ?
- g) Explain the procedure in grievance handling.



CURRENT ISSUES IN HRM I

Unit Structure

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Human Resource Accounting (HRA)
- 15.3 Human Resource Audit
- 15.4 Group dynamics and Team Building
- 15.5 Emotional quotient and Mentoring
- 15.6 Career Planning and Development
- 15.7 Meaning of Empowerment
- 15.8 Safety and Security
- 15.9 Summary
- 15.10 Exercise

15.0 OBJECTIVES

After studying the unit the students will be able to:

- Know the Meaning, Advantages and Disadvantages of Human resources accounting.
- Understand the meaning, scope and purpose of Human resources audit.

- Explain the meaning and nature of Group Dynamic.
- Discuss the difference between Group dynamic and Team building.
- Know the Meaning of Emotional quotient and Mentoring
- Understand the nature and importance of Career planning and development.
- Explain the need of Succession planning.
- Discuss the meaning and importance of Safety and Security management.

15.1 INTRODUCTION

Human resources, like any other asset, bring with them several costs. Using criteria to determine elements that can be recorded. The expenditure incurred for creating, increasing, and updating the human resource quality is known as investment in human resources. Such investment yields fruitful results like higher productivity and higher income to the organisation. The yield that the investment in human resources generates will be considered as the basis of human resource value.

15.2 HUMAN RESOURCE ACCOUNTING (HRA)

15.2.1 MEANING AND DEFINITION

Human resource accounting is not a new issue in economics. Economists consider human capital as a production factor, and they explore different ways of measuring its investment in education, health, and other areas. Accountants have recognized the value of human assets for at least 70 years. Research into true human resource accounting began in the 1960s by Rensis Likert. Likert defends long-term planning by strong pressure on human resources' qualitative variables, resulting in greater benefits in the long run.

"Human resource accounting means the human resources identification and measuring process and also its communication to the interested parties."

The American Accounting Association.

There are two reasons for including human resources in accounting are:

1. People are a valuable resource to a firm so long as they perform services that can be quantified. The firm need not own a person for him to be considered a resource.
2. The value of a person as a resource depends on how he is employed. So management style will also influence the human resource value.

Human Resource Accounting (HRA) means to measure the cost and value of the people (i.e. of employees and managers) in the organisation. It measures the cost incurred to recruit, hire, train and develop employees and managers. HRA also finds out the present economic value of its employees and managers.

15.2.2 ADVANTAGES OF HRA

1. Information for manpower planning

HRA provides useful information about the cost and value of human resources. It shows the strengths and weakness of the human resources. All this information helps the managers in planning and making the right decisions about human resources. The maintenance of detailed record relating to internal human resources(i.e. employees) improves managerial decision-making specially institutions like direct recruitment versus promotions; transfer versus retention retrenchment or relieving versus retention; utility of cost reduction programs in view of its possible impact on human relations and impact of budgetary control on human relations and organizational behavior. Thus, the use of HRA will definitely improve the quality of management.

2. Information for making personnel policies

HRA provides useful information for making suitable personnel policies about promotion, favourable working environment, job satisfaction of employees, etc.

3. Utilisation of human resources

HRA helps the organisation to make the best utilisation of human resources. The adoption of the system of HRA serves social purposes by identification of human resources as a valuable asset which will help prevention of misuse and under use due to thoughtless or rather reckless transfers, demotions, layoffs and day-to-day maltreatment by supervisors and other superiors in the administrative hierarchy; efficient allocation of resources in the economy ;efficiency in the use of human resources; and proper understanding of the evil effects of avoidable labor unrest / disputes on the quality of internal human resources.

4. Proper placements

HRA helps the organisation to place the right man in the right post depending on his skills and abilities.

5. Increases morale and motivation

HRA shows that the organisation cares about the employees and their welfare. This increases their morale and it motivates them to work hard and achieve the objectives of the organisation. The system of HRA would no doubt, pave the way for increasingly productivity of human resources, because, the fact that a monetary value is attached to human resources and that human talents devotion and skill considered as valuable assets and allotted a place in the financial statements of the organization, would boost the morale, loyalty and initiative of the employees, creating in their mind a

sense of belonging towards the organization and would act as a great incentive, giving rise to increased productivity.

6. Attracts best human resources

Only reputed organisations conduct HRA. So, competent and capable people want to join these organisations. Therefore, HRA attracts the best employees and managers to the organisation.

7. Designing training and development programmes

HRA helps the organisation to design (make) a suitable training and development programme for its employees and managers.

8. Valuable information to investors

HRA provides valuable information to present and future investors. They can use this information to select the best company for investing their money.

9. Proper interpretation of Return on Capital Employed

The adoption of the system of HRA discloses the value of human resources. This helps in proper interpretation of Return on Capital Employed. Such information would give a long term perspective of the business performance which would be more reliable than the Return on Capital Employed under the conventional system of accounting.

15.2.3 LIMITATIONS OF HRA

1. The valuation of human assets is based on the assumption that the employees are going to remain with the organisation for a specified period. However, this assumption is wrong because employee mobility is very high.
2. The human resource accounting may lead to the dehumanisation in the organisation. If the valuation is not done correctly or the results of the valuation are not used properly.
3. In the case of financial accounting, there are certain specified accounting standards which every organisation must follow. However, there are no standards for HRA. Each organisation has its own standards for HRA. So, there are no uniform standards for HRA. Therefore, the HRA of two organisations cannot be compared.
4. There are no specific and clear cut guidelines for '**cost**' and '**value**' of human resources of an organisation. The present valuation systems have many limitations.
5. The life of a human being is uncertain. So its value is also uncertain.

15.3 HUMAN RESOURCE AUDIT

15.3.1 Definition:

“HR Audit means the systematic verification of job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job evaluation, employee and executive remuneration, motivation and morale, participative management, communication, welfare and social security, safety and health, industrial relations, trade unionism, and disputes and their resolution”.

HR audit is very much useful to achieve the organizational goal and also is a vital tool which helps to assess the effectiveness of HR functions of an organization.

15.3.2 BENEFITS OF HR AUDIT:

It provides the various benefits to the organization. These are:

- It helps to find out the proper contribution of the HR department towards the organization.
- Development of the professional image of the HR department of the organization.
- Reduce the HR cost.
- Motivation of the HR personnel.
- Find out the problems and solve them smoothly.
- Provides timely legal requirement.
- Sound Performance Appraisal Systems.
- Systematic job analysis.
- Smooth adoption of the changing mindset.
- It evaluates HR policies and practices.
- It helps to evaluate how effective the programs and services are; how well HR delivers on the programs and services; or where there are opportunities to either enhance, change, or remove programs and processes.

15.3.3 PURPOSE OF H.R. AUDIT:

The audit can serve any of the following purposes:

- To clarify desired practices of HR work and roles within the organization (HR Department, Line Managers).
- To establish a baseline for future improvement.
- To evaluate current effectiveness.
- To standardize practices across multiple sites within a division or company.
- To assess current knowledge and skills required of HR practitioners.
- To improve performance levels to key customers within the organization.

- To examine and pinpoint strength and weaknesses related to H.R. areas and Skills and Competencies to enable an organization to achieve its long-term and short-term goals.
- To increase the effectiveness of the design and implementation of human resource policies, planning and programs.
- To help human resource planners develop and update employment and program plans.
- To instill a sense of confidence in management and the human resources function that it is well managed and prepared to meet potential challenges.

15.3.5 HR AUDIT SCOPE

The scope defines the breadth of the HR audit. Generally, no one can measure the attitude of human being and also their problems are not confined to the HR department alone. So it is very much broad in nature. It covers the following HR areas:

- Audit of all the HR function.
- Audit of managerial compliance of personnel policies, procedures and legal provisions.
- Audit of corporate strategy regarding HR planning, staffing, IRs, remuneration and other HR activities.
- Audit of the HR climate on employee motivation, morale and job satisfaction.

Every time a human resource audit is to be taken up, the scope is decided. The audit need not be exhaustive but may focus on a particular function of human resource management such as training and development, compensation, performance appraisal, etc. Nevertheless, the objective and approach of HRA – more or less – remains the same, regardless of scope.

- Training and Development
- Employees Relation
- Communication
- Files and Records
- Policies and Procedures
- Legal Compliances
- Salary Administration
- Recruitment
- Orientation
- Termination

In routine audits, auditors are engaged to verify the accuracy of financial information and the reasonableness of the accounting practices followed by an organization. In the course of these audits, the auditors at times provide inputs that may serve as pointers to the state of affairs with regard to financial planning and accounting procedures, inviting attention of the top management. Essentially, human resource audits are not routine. These are in fact, studies of unusual nature. The manner of

conduct can be self-directed surveys, or task force within the organization, or reserved for intervention by outside consultants.

The audit can be a onetime affair or an occurrence after a regular interval or an ongoing audit function for operating units within the organization. For example, in one company, the focus of audit was on analyzing the extent to which managers and supervisors complied with established personnel policies and practices.

15.4 GROUP DYNAMICS AND TEAM BUILDING

15.4.1 MEANING AND DEFINITION

Group Dynamics refers to the interactive nature of individuals within the contexts of a group. These interactions between individuals within the group are distinctly different from those in one-on-one interactions.

Group Dynamics also refers to the study of the nature of groups.

Group Dynamics may influence the behaviour of the individuals depending on their position within the group, their task within the group and their behavioural pattern with regards to the group.

Definition

“A group is defined as a collection of two or more interacting individuals, with a stable pattern of relationships between them, who share common goals and who perceive themselves as being a group”.

In a famous piece Lewin wrote, ‘it is not similarity or dissimilarity of individuals that constitutes a group, but interdependence of fate’. In other words, groups come about in a psychological sense because people realize they are ‘in the same boat’. However, even more significant than this for group process, Lewin argued, is some interdependence in the goals of group members. To get something done it is often necessary to cooperate with others.

The main features of group are:

- A set of people engage in frequent interactions
- They identify with one another.
- They are defined by others as a group.
- They share beliefs, values, and norms about areas of common interest.
- They define themselves as a group.
- They come together to work on common tasks and for agreed purposes
- There are parts
- There is relationship between the parts
- There is an organizing principle.

To this we might also add, as both John C. Turner (1987) and Rupert Brown (1989) have pointed out, groups are not just systems or entities in their own right but exist in relation to other groups.

15.4.2 THE NATURE OF GROUPS

To understand group dynamics, we need to understand the nature of groups. Following points explain the nature of group

1. Formal and Informal Groups

Formal groups are the groups that are created by the organisation, intentionally designed to direct its members towards some organisational goal. For example: the Board of Directors of an organisation constitutes a formal group.

Informal groups are those that develop naturally among people, without any direction from the organisation within which they operate. For example: the people that you travel with to your workplace in your office car form an informal group.

2. Primary and secondary groups

Charles Horton Cooley (1909) established the distinction between 'primary groups' and 'nucleated groups' (now better known as secondary groups):

Primary groups are clusters of people like families or close friendship circles where there is close, face-to-face and intimate interaction. There is also often a high level of interdependence between members. Primary groups are also the key means of socialization in society, the main place where attitudes, values and orientations are developed and sustained.

Secondary groups are those in which members are rarely, if ever, all in direct contact. They are often large and usually formally organized. Trades unions and membership organizations such as the National Trust are examples of these. They are an important place for socialization, but secondary to primary groups.

3. Planned and emergent groups

Alongside discussion of primary and secondary groups, came the recognition that groups tend to fall into one of two broad categories:

Planned groups. Planned groups are specifically formed for some purpose – either by their members, or by some external individual, group or organization.

Emergent groups. Emergent groups come into being relatively spontaneously where people find themselves together in the same place, or where the same collection of people gradually come to know each other through conversation and interaction over a period of time. Sometimes writers use the terms 'formed' groups and 'natural groups' to describe the same broad distinction – but the term 'natural' is rather misleading. The development of natural groups might well involve some intention on the part of the actors.

15.4.3 TEAM BUILDING

“A team may be defined as a group whose members have complementary skills and are committed to a common purpose or set of performance goals for which they hold themselves mutually accountable”.

- **Differences between Groups and Teams**

In case of Group performance typically depends on the work of individual members, Members of groups do not take responsibility for any results other than their own, although they do pool their resources to attain a goal, Groups share a common interest goal.

On the other hand in case of Team performance depends on both individual, each team member shares responsibility for the team outcome, teams share a common interest goal *plus* a common commitment to purpose which supplies a source of meaning and emotional energy.

The term **team building** generally refers to the selection, development and collective motivation of result-oriented teams. Team building is carried out through a variety of practices, such as group self-assessment and group dynamic games.

- **Characteristics of a Good Team:**

- High level of interdependence among team members
- Team leader has good people skills and is committed to team approach
- Each team member is willing to contribute
- Team develops a relaxed climate for communication
- Team members develop mutual trust
- Team and individuals are prepared to take risks
- Team is clear about goals and establishes targets
- Team member roles are defined
- Team members know how to examine team and individual errors without personal attacks
- Team has capacity to create new ideas
- Each team member knows he can influence the team agenda

15.5 EMOTIONAL QUOTIENT AND MENTORING

15.5.1 EMOTIONAL QUOTIENT

- **Definition**

Emotional intelligence describes the ability, capacity, skill, or self-perceived ability to identify, assess, and manage the emotions of one's self, of others, and of groups. People who possess a high degree of emotional intelligence know themselves

very well and are also able to sense the emotions of others. They are affable, resilient, and optimistic.

- **BENEFITS**

By developing their emotional intelligence individuals can become more productive and successful at what they do, and help others become more productive and successful too. The process and outcomes of emotional intelligence development also contain many elements known to reduce stress—for individuals and therefore organizations—by moderating conflict; promoting understanding and relationships; and fostering stability, continuity, and harmony. Last but not least, it links strongly with concepts of love and spirituality.

15.5.2 MENTORING

Mentoring is a powerful form of learning and knowledge transfer. In this knowledge worker economy, having a system for transferring "tacit" knowledge is increasingly important because tacit knowledge cannot be transferred easily in a training session. Tacit knowledge is learned over time with first-hand experience in a role, and as a result, it is rarely transferred - until now. With Mentoring, that knowledge can be captured, shared and leveraged. Mentoring is the process of improving an individual's professional/personal performance and well-being through one-to-one interactions between mentor and mentee. Many organisations have realised the power of mentoring as a learning and development tool. However, most have not yet found the right formula to build mentoring into their culture and make a mentoring program stick. The Mentoring system is designed to help organisations create a culture of ongoing, self-directed development. As part of an organisational development program, Mentoring Partnerships aligns the goals of each individual with the goals of the organisation so the success of one enhances the success of the other.

15.6 CAREER PLANNING AND DEVELOPMENT

15.6.1 INTRODUCTION

Career Development requires a concerted effort on the part of everyone to be successful. This involves a shared responsibility of individuals, family, service providers, employers and the community-at-large. When these sectors work together co-operatively the benefits to the individual and society are significant.

15.6.2 MEANING OF “CAREER DEVELOPMENT”

The Career Development Services and Supports Survey asked respondents to provide a working definition of career development. Definitions varied along a continuum that started from a more traditional vocational approach focusing on

immediate educational and occupational/ employment choices towards a broader approach that also included the development of long-term career management skills that could be applied over a lifetime.

The traditional definition of career development is focussed on the goal of preparing for the world of work. It is seen as encompassing the development of the whole person, but places a critical emphasis on gaining the skills and experience for work in order to find one's vocation in life. The primary goal of this approach is directed to improving one's employability for obtaining meaningful work.

The second view of career development defines it as a lifelong process of becoming aware of, exploring and experiencing factors that influence various aspects of a person's life. The knowledge, skills and attitudes that evolve through this path of discovery enable planning and decision making not only about work exploration and related employment and vocational choices but also about personal management and life/work skills. Career development is part of lifelong learning, in that personal and vocational skills constantly change and expand during a lifetime in response to career changes and emerging opportunities.

15.6.3 IMPORTANCE OF CAREER DEVELOPMENT

a. Individualized Services

Making sure that delivery is based upon a balance of individual and social needs requires that supports and services are individualized rather than generic. The approach of addressing the specific barriers of the client is more costly and requires greater expertise, but results are more long term. Some generic kinds of programs would still be useful but should be designed after careful research into current and real needs of the client and service provider populations.

b. Service Provider Training

The training of personnel in a wide array of career development and knowledge competencies is a critical component of successful program and service delivery. Standards and guidelines for this development will be essential for both career development practitioners and managers.

c. Dissemination and Effective Use of Information

Access to information is central to effective career management. There are many excellent career and employment information resources, as well as many outstanding products. Unfortunately, those who could benefit from them do not always know these products, or if they are aware of them, they do not always know how to use them effectively. In some settings, dedicated trained staff in the delivery of career information is not available. Some career/employment information has a narrow focus and does not reflect the broad universe of possibilities in advising on career development options and pathways. For example, information on educational

opportunities is too frequently focussed on university level education and, as a result, it does not reflect the value of trades training. In some circumstances, in order to achieve a more balanced view of opportunities, schools have created partnerships with Can-Sask centres to provide career and employment services on site. For the most part, this linkage has proven to be effective.

d. Standards and Guidelines for Quality Services

In general in Saskatchewan there is the absence of standards and guidelines governing the delivery of career and employment services. Typically, standards cover a broad spectrum of career development components including: access to services, facilities, the training of personnel, resource support and accountability. The lack of standards can result in career development services being poorly understood and undervalued. Fortunately there has been considerable work done recently at a national level to develop Canadian Guidelines and Standards for career practitioners. These standards will need to be examined in the province and if they are deemed to be of value actions planned to see how to implement them.

e. Recognition of Prior Learning (RPL)

The workplace is changing, requiring employees to develop and apply new skill sets, often acquiring these skills on-the-job. Saskatchewan Learning and various partners/stakeholders are increasing capacity to correctly assess and reward an individual's prior learning, from both informal and formal sources. Continuous learning is a growing expectation in the workplace and recognition of prior learning is a means to support, encourage and reward that learning. Learning recognition enhances the performance of businesses, as it encourages staff members to improve their own skills and abilities by building on what they know and, ultimately, leads to innovation and improved productivity. Workers also seek to build transferable and portable skills, and Recognition of Prior Learning provides a means to transfer between and among systems.

The demands of learners on the education system are changing and have resulted in the development of more learner-focused institutions that provide flexible and responsive programming. The growing trend of part-time and non-sequential learners, including learners enrolling in part-time programs while maintaining full-time employment, has created a need for RPL services that serve as a bridge to the recognition of workplace learning. More supports and resources are required to prepare individuals for learning and work and for making the multiple transitions they will experience in life. The following chart presents strengths and challenges related to a number of commonly known career transitions that individuals would experience in their lifetime. It is not intended to discount other career transitions that people will experience.

15.6.4 NEED FOR SUCCESSION PLANNING

1. **Develop a provincial strategy** for the delivery of career development services , including working definitions of key terms and services, as well as a model for the delivery of these services. The strategy should identify priority areas for action and roles and responsibilities of different sectors (government, education system, business and labour, industry, and the volunteer sectors).
2. **Encourage and provide a forum for direct dialogue among employers**, unions, policy makers, educators and career service practitioners to identify and begin dismantling the systemic barriers to positive change. For example, certified journeypersons cannot teach vocational courses to high school students unless they have professional teaching certification;
3. **Continue to seek input from key stakeholders and build inclusive communities** – everyone has something to contribute. Using a team approach coupled with the definition of shared purpose and common goals would be a good beginning. Continuing consultations with employers, seniors, recent immigrants and special needs clientele is essential to determine their needs and to ensure their awareness of services and supports that are available.
4. **Career development service providers need to communicate and network** to develop a better understanding of what each of the agencies/institutions is doing and reduce duplication of services. This communication and networking needs to occur at the provincial, regional and local levels.
5. **Increase the array of services available** (in person, technology assisted and self-directed) to individuals, employers, industry, institutions, communities, etc. Simultaneous efforts are needed to build awareness of existing resources, services and supports, and create understanding of benefits using diverse media.
6. **Ensure service providers are kept current on issues and best practices.** Training, skill development and staff commitment to professional development and delivery of services have a major influence upon the types and quality of services that government is able to provide. In addition to the existing Teacher Externship program, teachers should be provided with more opportunities for first hand on-site experience in many occupations.
7. Career development services have to be accessible to people who are not moving linearly through the education system on to employment but may be accessing services at any one of a number of transition points.
8. Program/service evaluation has been limited but is necessary to provide evidence to support continued, if not increased, investment in career development services. Information obtained through evaluation also feeds into quality assurance mechanisms and identifies gaps or inefficiencies in service provision.

15.6.5 STEPS OF SUCCESSION PLANNING

From a lengthy list of important elements to be addressed there were several that were given a high level of importance. These were:

1. Develop a long-term comprehensive strategy and plan with required resources and supports.
2. Services and supports need to be individualized to address needs and potential barriers of all clients and to ensure that there is equal access to employment opportunities.
3. Career development must shift focus from top down to a cooperative effort of communities/ government/education institutions/industry as equal partners.
4. Develop essential work skills, across occupations and fields, transferable skills and life/work management skills.

15.7 MEANING OF EMPOWERMENT

The Oxford English Dictionary defines "empowerment" as "the action of empowering;

The state of being empowered" and it was first used in this form in 1849.

However, there are two original definitions of the word "empower" which the Oxford

English Dictionary states are now rare or obsolete. These are "to bestow power upon, make powerful" and "to gain or assume power over". The apparent obsolescence of these definitions may surprise many modern theorists who rely solely or partly on these definitions to support their theories of empowerment.

15.8 SAFETY AND SECURITY

15.8.1 MEANING AND DEFINITION

Security can only be defined in relative terms. Security is context specific. Security in a particular location can be accessed through a process of risk assessment. This involves being aware of all potential and real risks and developing a system to track changes over time and introduce interventions to mitigate risk as far as possible and practicable. Security assessment is dynamic and ongoing and must become a regular part of daily field life.

Security is achieved when organisational assets are safe and when the Organisations name and reputation are maintained with a high degree of integrity. The creation of an overarching security policy must remain the responsibility of

headquarters, but implementation in a manner that is meaningful for the context will obviously be conducted by field based management through country or location specific security plans and evacuation plans. Organisations should determine the key factors that make up a comprehensive security policy and design a series of standard operating procedures (SOPs) for field operations.

15.8.2 AUTHORITIES FOR SAFETY AND SECURITY

a. Individual:

Staff members at all levels have the authority and responsibility to improve safety and security procedures wherever these are inadequate. In order to ensure that the security guidelines are successful there must be clear delimitation of responsibility at every level of the organisation. All staff should comply with the Relief Aid Code of conduct and should not behave in any way that could present a risk to themselves, others or the organisation. Failure to follow security guidelines and procedures may be treated as a disciplinary matter.

b. Managers:

All managers are responsible for the security of the staff they manage, and are, in turn, under the responsibility of their line manager. This responsibility follows the line management structure with ultimate responsibility resting with the board of trustees. The manager is responsible for managing staff security, including: delegating security management tasks; ensuring an appropriate security management system and plan is developed; inducting/briefing all new staff and visitors on the security situation and security measures. Security management is demanding and adequate time must be allocated to it.

c. Organisation:

The Office of Security Management has overall responsibility for safety and security. Policy and Standard Operating Procedures will be determined through a consultative process between field representatives and senior management. The Security Manager will determine the extent and nature of the overall policy. Field Managers have authority and responsibility to design and implement operating procedures deemed appropriate to specific environments. In addition to reviewing and monitoring this policy the Office of Security Management will provide guidance and assistance to field based managers who are charged with developing local safety and security plans on specific issues that are pertinent to that context.

15.8.3 IMPORTANCE OF SAFETY AND SECURITY

Safety and Security are the responsibilities of all. Managers and staff must be equally committed to the process to ensure success. Personal safety, organisational security, and ultimately the safety of the communities we serve, will only be attained where all parties join together in maintaining safe working conditions. Furthermore, our capacity to work with communities we serve, and increasingly to obtain funding from

donors, is considerably weakened by poor attention to the issue of security and safety of our staff.

The focus of this document is on violence and insecurity perpetuated deliberately or consequentially on humanitarian aid and development workers. A lack of security can impact health, and accidents can compromise personal security. Prevention of accidents, and health and safety are also important and are the topic of separate People in Aid publications. People in Aid believes that consideration of security issues and forward planning to mitigate risks and anticipate response to a range of scenarios will lead to safer and more secure working environments for humanitarian workers the world over. This guide attempts to highlight current good practice in this field. Managers and individuals are, however, strongly advised to constantly review individual and organisational aspects of safety and security as the body of expertise continues to grow. The organisations and resources listed at the end of this paper will provide access to a range of readily available practices and analysis.

The safety and security of humanitarian aid staff is an essential component of the People In Aid Code of Good Practice in the Management and Support of Aid Personnel. The working environments for all humanitarian staff, whether in front line emergency relief or in long-term development programmes, have become more dangerous than ever in the past few years. Historically, personnel were afforded some protection by the nature of their employment. Increasingly, however, humanitarian workers are more and more likely to be the targets of intentional violence and aggression. Employing organisations must ensure that all staff, in all of the varied types of programme, are appropriately protected as much as possible. This requires significant planning on the part of managers, with the recognition that improving security for staff will increase field project costs. However, humanitarian work is all about people. In the end the only resource humanitarian organisations have to offer the world is highly skilled individuals willing to venture into some of the most inhospitable environments possible.

15.9 SUMMARY

An HR audit helps a company's senior management evaluate the efficiency of its human resources department and programs. Depending on the needs of the individual company, an HR audit evaluates the department's effects, services and its place in the achievement of company goals and objectives.

What the world needs is capacity building and human capital development. These are indicators that determine how far an individual, society and the world can grow. A nation that recognizes capacity building through a successful career development will make do with its resources. Today the world is in turmoil due to global economic meltdown that could be solved if the necessary economic variables-human capital development, career development, balance of payment, fiscal discipline, effective monetary policy and fiscal policy, effective indigenization policy, GNP and GDP

are properly harnessed. Though economic depression and recession is inevitable but can be managed if some of these economic variables are put in place.

Maintaining the safety and security of staff is paramount. Cost must be considered, but immediate financial concerns should never be permitted to override the primary objective of A conceptual distinction can be made between 'safety' and 'security', whereby the former refers to accidents and diseases, while the latter refers to acts of violence. One can argue that the distinction between safety and security is artificial and that both need to be integrated:

Morally and legally, organisations as employers should be equally concerned about protecting their staff from safety and from security risks.

• In practice, safe driving, keeping vehicles in good working order, first-aid expertise and medivac facilities, and fire hazard prevention and preparedness are essential requirements for operating in a violent environment with risks of arson or ambush on the road, getting caught in the crossfire or seriously injured by a landmine.

15.10 EXERCISE

1. What do you mean by Human Resource Accounting?
2. Explain advantages and limitation of Human Resource Accounting.
3. What is Group Dynamics? Explain its significance
4. What is the importance of career development?
5. Discuss the need and importance of succession planning.
6. Define safety and security. Explain its importance.
7. Write short notes:
 - a. Human resources accounting
 - b. Human resources audit
 - c. Difference between Group dynamic and Team building
 - d. Emotional Quotient and Metoring
 - e. Succession Planning
 - f. Safety and Security management
8. Define the following terms:
 - a. Human resources accounting
 - b. Human resources audit
 - c. Group dynamic
 - d. Emotional Quotient
 - e. Succession Planning
 - f. Safety and Security management
 - g. Team building

- h. Metoring
- i. Emporment



HUMAN RESOURCE MANAGEMENT CASE STUDY

The case study method was first developed in 1871 by Christopher Langdell at the Harvard Law School to make the students to learn for themselves by independent thinking and by analysing problems or situations. A supporting objectives is to make the students develop skills in using their knowledge.

A case is a description about a problem or situation. The problem or situation may be real or hypothetical. A case sets forth, in a factual manner, the events and organizational circumstances surrounding a particular managerial situation. The essence of the students role in the case analysis is to diagnose and under stand the situation described in the case and then to recommend appropriate solution or action plan.

Case Study Process

- Get an overview of the case
- Read the case thoroughly
- Analysis and evaluation
- Recommendations.

Student Skills Developed by Case Study

- Qualitative and quantitative analytical skills
- Problem identification
- Data handling
- Critical thinking
- Decision making skills
- Implementation skills
- Oral, debate skills
- Interpersonal skills
- Time Management skills
- Creative skills
- Written communication skills

Students are beneficial from case study

- Learn by doing

- Increase ability to ask right questions
- Identify and understand underlying problems
- Expose students to wide range of industries, organisations, functions, and responsibility theory
- Learn to take decision based on insufficient information
- Learn to deal with different viewpoint



Case - I

Training and Development

I want you to concentrate on how we can make this training program more effective, said V K Prasad, the vice-president HRD of direct to you, a direct sales company that dealt in a range, of consumer appliances to Mr. Sunit.

Sunit Verma (Verma) had been working as the training manager in Direct to you for the past 6 months. During this period he had been involved in the training of ten batches of trainee sales representatives. For the last three months, a lot of his time and effort had been dedicated to identifying the training needs of the first line managers of the company.

Before joining as the training manager in direct to you, Verma has practically no job experience. He had just graduated from a reputed business school in north India with a specialization in HRD. Summer training at one of the leading fast moving consumer goods companies in India as part of his MBA curriculum – where he was involved in a training need analysis (TNA) project for the company's sales representative – was about his only experience in the training function. In fact, Prasad who had initially interviewed him for the position, was quite impressed with his project work.

Questions and Hints

- a) Advise Mr. Verma about the various training methods available to direct to you, a direct sales company?

Aus:- Hint

Mr. Verma should be briefed about the various on the job & of the job training methods that are available. In the direct sales company understudy or apprenticeship method can be used to make training program effective.

- b) What are the areas you fill should be covered in a training programme for trainee salesman in a direct sales company?

Aus:- Hint

The areas for training programmes for this organisation would include-

- Developing interpersonal skills
- Improving communication
- Learning mannerism & etiquettes while dealing with people etc.

Case – II

Recruitment & Retention

This case is about a mid sized company drug pharmz which was in the process of re-launching its operations in West Bengal. The newly appointed regional manager, Barun was struggling with the high attrition rate in his region. During these tough times, Barun recruited Rohit as an area manager for Siliguri. There was a marked difference between the management style of Barun and Rohit. Barun soon realized that even though they did not see eye to eye on various issues, Rohit was effective in holding his team together and also delivered good results. Unfortunately, Rohit met with an accident and the company insisted that he resign as he was not entitled to long leave during the probation period, Rohit felt that Barun too failed to support him and put in his papers.

Soon Barun found himself in a difficult situation as more than half of Rohit's team resigned from the company. He was also unable to get suitable replacements. Barun was forced to go back to Rohit, but Rohit was no longer interested in rejoining the company.

Question and Hints

- a) Explain the importance of HR in attracting, retaining, and motivating employees

Ans:- Hint

Importance of attracting & retaining talented employees is as under –

- i) Higher productivity
- ii) Lower attrition rate
- iii) Continuity in operation
- iv) Low training cost
- v) Lower wastage
- vi) Less complaints

- b) What should drug pharmz do to attract & retain talent?

Ans:- Hint

In order to attract retain talented employees drug pharmz should resort to the following

- Create confidence amongst employees about company's philosophy & practices
- Be more sensitive to employees needs

Case – III

Performance Appraisal - III

Man is by far the most important resource in business. Every business depends for its effective functioning not so much on its material or financial resources as on its pool of competent and motivated manpower. This is the only resource which can produce results more than inputs. No other resource can achieve what motivated personnel's can attain for business. A few years ago RBI performance appraisal report. This decision caused disharmony among the staff who pointed out that dismissed officers were not given fair opportunity to defend themselves, of violation of the principle of natural justice.

Question and Solution :-

a) State HR reforms introduced by RBI.

Ans:- winds of change are blowing across RBI. This reputed organisation wants to make a complete break from the past. Gradually it has introduced HR reforms. It has set up a redressed mechanism to hear appeals from officers on communication of the entries made in their performance appraisal reports. A dissatisfied officer can appeal against the marks awarded and also the remarks in the report made by his superiors within 15 days. The opportunity to appeal against an appraisal report found to display bias will go in favour of employees. It is the right of every employee to know how he/she has been appraised along with mechanism to get justice against indifferent and negligent appraisal.

b) How RBI desires to maintain transparency in its promotion and appraisal system?

Ans:- RBI is going in for a complete overhaul of its promotion and appraisal system. The bank is injecting transparency in the performance appraisal system of its officers by permitting them to review their reports. It also desires to establish a mechanism to redress employee grievances. A copy of appraisal report will be made available to every officer on demand. The immediate trigger for the action is a supreme court order which called for transparency in performance appraisal of central government officers. Hence forth, promotions would be more transparent with the performance appraisal report being made available on demand. Seniority has only a limited weight age in promotion at RBI. Equal weight age is given to performance of the last year and in interview while considering a candidate for promotion. The flip side is sometime a bad interview could neutralise good performance of a year.

Case Study for Self – Practice

Case – IV

Current Issues in HRM

Stressful work, extended work hours, late night shifts, extensive travelling etc. have become an integral part of today's corporate world. Due to this, problems like hypertension, poor eyesight, fatigue, depression, obesity and irritability are widespread. This affects employee productivity. Most employees deal with negative interpersonal relationships at the workplace be it disgruntled bosses or aggressive colleagues. These can have serious impact on wellness and health of employees. With business opening their eyes to the expensive price tag associated with healthcare, they are remained that this issue needs to be dealt with by early health interventions. This has kick-started a need to focus corporate attention on employee healthcare schemes. On the part of organisations, they can hold periodical workshops for control and education of stress. They can also make arrangement for assisting individuals in overcoming their personal and family problems. This would cover managing personal fiance, dealing with family problems and other matters of life.

Questions

- a) What is stress? How stree contributes to health problems?
- b) What steps have been initiated by the organisations to beat the stress?



Case – V

Fair HR Practices

Employees co operation, initiative and empowerment are the critical pillars that support and strengthen an organisation. HR initiatives enable organisations to allocate necessary people resources that eventually sum up to customer satisfaction and better business performance. To begin with hiring the right people whose skills and mind set are aligned with organisational objection is crucial. Team building exercises include formation of teams, defining team functions and determining team success criteria. This is necessary for fostering co operation amongst employees. Employee participation in work place provides them a sense of belonging and enhances their motivation levels. Empowering employees also encourages leadership and innovative thinking in them. HR initiatives would be incomplete without a robust performance appraisal system to measure individual as well as team performance. A mechanism offering compensation, recognition and rewards to deserving employees acts as the ultimate motivator for all employees.

Questions

- a) How sound HR practices bring overall prosperity to a business organisation?
- b) Illustrate how HR initiatives lead to a better organisational culture?



Case – VI

A Good Manager

At present, there is unprecedented rush for management education. Young boys having graduated from any stream are desirous of joining post-graduate courses like MBA or MMS to make a career in manager ship where working conditions are good, pay packets are attractive with respect and status in the society. There are many young people who remain under-employed but most of them are unemployable. Even though

they have graduated but often they have poor technical knowledge. Their communication skills and human relations skills are much below average. With poor general knowledge and no hobbies they do not belong to the class of managers. Yet they all want to be managers. They do not realize that the person who know how will always be well employed. Another person who knows why in addition to how will always be the boss.

All those who qualify from management institutes may not necessarily become managers but if they follow the rules of business etiquette, chances are that they can certainly become managers. To be precise, they can become good managers. Persons who display consideration for others are aptly suited for manager ship .

Questions :-

- a) How management educations makes way for a career in manager ship?
- b) Why many young people fail to become good manager?



Case – VII

Dilemma in Motivation

Mr. Kumar is the chief executive of a medium sized chemical company located at Nasik (Maharashtra). Mr. Kumar is concerned with the R & D activities of the company. His general observation is that the workers in his unit are not working to their full capacity. They take undue interest in unproductive activities. Mr. Kumar knew that the workers can be motivated by offering monetary incentives.

One day Mr. Kumar visited HR department and had a discussion with HR manager MR. Ravi Kakate. MR. Kumar said that our 300 workers are not motivated

properly even when we pay them attractive salary and other incentive payments. Mr Kokate agreed with the opinion of Mr. Kumar. According to Mr. Kokate attractive remuneration, fair working conditions and liberal incentives are not enough for motivating lower level employees.

According to Mr. Kokate, hard work and efficiency go unnoticed and unrewarded in our company. Our promotions are by seniority and we do not offer safety and job security to our employees. Benefits are taken by lazy workers and efficient and honest workers suffer. Mr. Kumar requested Mr. Kokate to consider this matter seriously failing which the unit will become a sick unit and thereafter may close production activity. He wanted Mr. Kokate to introduce new techniques of motivation so that employees will be motivated to take more interest in the work, work efficiently and bring prosperity to the company and to them also.

Questions

- a) Explain the motivational problem in the chemical company.
- b) If you were the HR manager, how would you motivate the employees to work to their full potential.



Case – VIII

The foundry has always been regarded as one of the worst places to work in Sinky Company Ltd. The workers have to put in a lot of physical effort and have to work in hot, humid and dirty conditions. The job evaluation plan of the firm did not give much weight to physical ability and working conditions, whereas, responsibility and skills were given more importance, as a result, the foundry jobs were rated at the bottom of the wage scale.

In recent years, it has been difficult to get the required workforce for the foundry jobs. The firm was forced to appoint people who did not get elsewhere, thus further lowering the low social status of the foundry jobs in the eyes of the other workers in the firm. Recently, about 20 workers in the foundry left their job, and the management found it difficult to appoint new workers at the evaluated rate.

Questions :-

- a) What is the real problem in the above case? What is the main cause for such problem?
- b) How can the problem be handled by the managements?



Case – IX

The newly appointed supervision of the tool making department of a company has been reviewing his records of tool makers as a means of getting better acquainted with his men. He is using every possible means to get thoroughly familiar, as he has been asked by the management to improve. The declining performance of the tool making department.

While going through the records, the supervision found that the performance of one of the workers, Mr. Suresh was quite below average. The record surprised him because Mr. Suresh had high ratings in terms of education, experience, and aptitude tests. He called on Mr. Suresh for a discussion. After a brief discussion, Mr. Suresh informed the supervision that he has a hobby of designing toy cars, for which he has a little workshop. He also informed him that he keeps himself busy till late at night at the workshop and finds little time for a good night sleep.

Questions :-

- a) Does Suresh have a motivational potential? Which can be exploited ?
- b) Why do you think that Suresh's performance on the job is quite unsatisfactory?



Case – X

CRR Industries Ltd., is producing electric goods. Recently it added as new line of production i.e. electric motors. It needed one electric engineer with B. E. qualification to look after the new plant. Presently five electric engineers with B. E. qualification as Assistant engineers are working in the existing plant. The company advertised for the post of chief engineer for its new plant, where the existing engineer were allowed to apply.

The company used techniques of preliminary interviews, tests, final interview and medical examination and finally selected Mr. Sastry, employed in the existing plant of the company. He is fairth in the seniority list of the Assistant engineers in the present plant.

The company served the appointment order to Mr. Sastry and he joined as chief engineer. But the three Assistant engineer in the existing plant moved the issue to the court of law contesting that the selection of Mr. Sastry is not valid as he is not the senior one among the Assistant Engineers in the existing plant.

Questions :-

- a) What would be the management version in the case?
- b) Is it a case of selection or promotion? Justify your answer?



Case – XI

ABC Ltd. belongs to the manufacturing sector. It has set a goal of becoming a world class organisation by the year 2010. the total number of employees is 1400 and the company has fully automatic plant.

It has a HRD department which is decentralised to look into the needs of specific departments. There are 21 officers in HRD department and their average age is 45 years. The analysis of bio-data revealed that none of these officers had any HRD related qualifications. Only a few had qualifications in personnel management. Most officers had work experience in training and some had work experience in quality circles, ISO 9000 and personnel administration. The self assessment of the officers in the competencies checklist revealed that HR department as whole was not adequately prepared to handle the following.

Potential appraisals, organisation development and culture building career planning and development, job evaluation, HR information system and strategic planning.

Question :-

- a) Critically analyse the case
- b) Give suggestions to improve the working of HRD department

❖❖❖❖
QUESTION PAPER

SECTION I

Q. 1 What is Marketing? Discuss its scope. **(10)**

OR

Define Marketing Information System and explain its importance.

Q.2 What is Consumer Behaviour? Explain the steps in buying decision process. **(10)**

OR

What do you mean by Market Segmentation? Discuss its importance.

Q.3 What is Pricing? Explain the various methods of pricing. **(10)**

OR

What is Promotion Mix? Explain the elements of promotion mix.

Q.4 What is Rural Marketing? Discuss its nature. **(10)**

OR

Define the term Service Marketing. Discuss the problems in marketing of services.

Q.5 Write short notes on any two of the following : **(10)**

- a) Market Opportunity Analysis
- b) Need for Customer Relationships Management.
- c) Product Life Cycle
- d) Societal Marketing.

OR

Q.5 Read the following case and answer the questions given below:

Mr. Ram is Deputy General Manager, (product development) in a coffee processing company called New India Coffee Ltd. The company took price in introducing new products to cater to the changing needs of its customers. Mr. Ram traveled extensively to feel the pulse of different segments of coffee drinkers. He himself was very fond of drinking coffee. His friends knew that Ram did not prefer to drink coffee provided in five star hotels, because it was expensive and it also did not meet the Ram's expectation of quality. He gave up drinking coffee during the tours.

Ram realized that the problem of not getting good coffee was a universal one. His scientific mind started to analyse this and New India Coffee Ltd., introduced a new product 'coffee tablets' developed by Ram. These tablets were so designed that one tablet added to hot water would produce a cup of coffee without leaving any residue in the cup. The Company decided to adopt introductory low price for these tablets and planned a national launch. However the Chairman felt that necessary marketing research should be undertaken before launching the product.

Questions :-

- a) Suggest suitable marketing mix to launch the new coffee tablets. (5)
- b) Explain the need for undertaking marketing research before launching the coffee tablets. (5)

SECTION II

Q.6 Define Human Resource Management. Explain its importance. (10)

OR

What is Recruitment? Discuss the steps in the process of Selection.

Q.7 What is meant by Training and Development? Explain its methods. (10)

OR

What is Performance Appraisal? Bring out its limitations?

Q.8 Define Leadership. What are the traits of a good leader? (10)

OR

What is Motivation? Explain McGregor's Theory 'X' and Theory 'Y'.

Q.9 Explain the concept of Human Resource Accounting. What are its advantages and limitations? (10)

OR

What do you mean by the term "Empowerment"? Discuss its significance.

Q.10 Write short notes on any two of the following : **(10)**

- a) Job Analysis
- b) Performance Related Pay
- c) Factors of Motivation
- d) Career Planning and Development.

OR

Q.10 Read the following case and answer the questions given below :

A performance appraisal system had been established in Amit Textile. The Company believes that the system of performance appraisal is a strong tool to evaluate the performance of the employees. Performance appraisal was undertaken by their immediate boss who would rate the appraisee by ticking 'outstanding, good, fair and nsatisfactory' on the columns of quality of output, job knowledge, decision making, communication skills, quality of work, creativity, human relations development of subordinates, time management etc. The rater would thoroughly review column by column and would given his own opinion. The management preferred this system which resulted in retention of employees.

S. M. Shah, Human Resources Manager a very sincere and a highly dedicated employee who has achieved outstanding rank for the last six years filled in his self appraisal form. He handed over to his immediate boss, Mikha Singh, Senior Manager (Human Resource) in a confidential envelope.

Mr. Mikha Singh who is known to be meticulous immediately evaluated the appraisal form. Necessary feedback was provided to S. M. Shah to enhance his potentialities. Mr. S. M. Shah took objection and requested for 360 degree appraisal.

Questions :

- a) Evaluate the role of performance appraisal in the above case. **(5)**
- b) Do you suggest 360 degree appraisal? Why? What are its benefits?**(5)**



Revised Syllabus
T.Y.B.Com. Commerce Paper – III
(Marketing and Human Resource Management)
Section - I

Marketing

(45 Lectures)

1. **Introduction to Marketing: Marketing** – Nature, Importance and Scope. Concepts: Selling Concept, Marketing Concept and Societal Concept. Role of Marketing Managers in Changing Marketing Environment. B) Market Opportunity Analysis- Marketing Research and Marketing Information System (MIS) – Concepts, nature and importance in marketing decisions.

(10 Lectures)

2. **Consumer Behaviour and Market Segmentation:** Consumer Behaviour nature and factors - influencing it. Consumer's buying decision process. Market Segmentation – Nature, importance and basis of segmentation. Niche Marketing Customer Relationships Management (CRM) – Need & Insurance – Techniques of building CRM.

(12 Lectures)

3. **Marketing Mix:** Nature and Importance. A. Product Mix – Product Life Cycle (PLC) - Branding – Brand Selection – Brand Extension – Brand Positioning and Brand Equity. B Price Mix – Factors influencing the price – Pricing Methods. Place Mix – Direct and Indirect Marketing – Factors influencing channel decisions- Managing channel intermediaries. (Distribution Network) D. Promotion Mix- Elements- Role of Advertising, Salesmanship and Public Relations in promotion- Recent Promotion Tools used by Indian companies.

(12 Lectures)

4. **Recent Trends in Marketing:** A Service Marketing- Special features problems in marketing of services. B. Rural Marketing- Nature and Growth Problems of Rural Marketing in India- Measures for effective Rural Marketing C. Social Marketing. D. Green Marketing- E. Event Marketing- F. Internet Marketing- G. Telemarketing, H. Retail Marketing.

(11 Lectures)

Reference Books

1. Philip Kotler and Gary Armstrong- Principles of Marketing, Prentice – Hall of India Pvt. Ltd.
2. Jerome McCarthy- Basic Marketing
3. William Stanton- Fundamentals of Marketing, McGraw- Hill
4. V. S. Ramaswamy and S. Namakumari- Marketing Management, Macmillan India Ltd.
5. Rajan Saxena- Marketing Management, Tata McGraw- Hill

6. Paul Baines, Chris Fill and Kelly Page- Marketing, Oxford University Press
7. S. K. Sarangi- Marketing Management, Asian Books Pvt. Ltd; New Delhi
8. Douglas Darymple and Leonard Parsons- Marketing Management- Texts and Cases, John Wiley & Sons
9. Nikhilesh Dholakia, Rakesh Khurana, Labdhi Bhandari and Abhinandan Jain – marketing Management – Cases and Concepts, Macmillan India Ltd.

Section – II

Human Resource Management (HRM)- (45 Lectures)

1. **Introduction to Human Resource Management:** A Concept of HRM- its Nature, Importance and functions- Role of HR Managers in the changing Business Environment. B. Human Resource Planning. Importance and Steps in HRP- Job Analysis- Meaning and Uses- Recruitment and its sources Selection procedure – Employment Tests & Interviews – their roles & types- Importance of Placement and Induction.

(12 Lectures)

2. **Human Resource Development (HRD):** Concept & Scope of HRD- Training and Development- Importance, Types and Methods- Performance Appraisal benefits, limitations, and techniques of appraisal. 360 Degree Appraisal, Employee Retention – Compensation & Incentive – Performance related pay.

(12 Lectures)

3. **Human Relations:** Nature and Importance of human relations – Leadership Traits and Styles. Motivation- Factors of motivation- Theories of motivation Maslow’s Theory, Herzberg’s Theory and McGregor’s X & Y theory. Employee Morale- Nature and Importance. Grievance Handling and Procedure. **(10 Lectures)**

4. **Current Issues in HRM:** **(11 Lectures)**

- Human Resource Accounting – concept, advantages and limitations
- Human resource Audit- Objectives and scope
- Group Dynamics and Team Building- nature and significance
- Emotional Quotient and Mentoring- meaning and importance
- Career Planning and Development – nature and importance – Need for Succession Planning
- Empowerment and Participation – meaning and significance
- Emerging Challenges in HRM – Managing workforce diversity managing downsizing, outsourcing

- Safety and security management – importance

Reference Books:

1. C. B. Gupta – Human Resource Management, Sultanchand & Sons
2. L. M. Prasad – Human Resource Management, Sultanchand & Sons
3. C. B. Matoria and S. V. Gankar – Personnel Management, Himalaya Publishing House
4. Edwin Flippo – Principles of Personnel Management, McGraw- Hill
5. S. Ghosh- Personnel Management: Texts and Cases, Oxford and IBH
6. MacFarland D. E. – Personnel Management: Theory and Produce, MacMillan and Company
7. A. Monappa and M. S. Saiyaddin – Personnel Management Tata McGraw- Hill
8. Pigors Paul, Myers Charles A. – Management of Human Resources, McGraw- Hill
9. Scott Walter, Clothier Robert and Spriegel William – Personnel Management, Principles and Practice, Tata McGraw- Hill
10. K. Aswathappa- Human Resource Management – Text and Cases, Tata McGraw- Hill
11. H. John Bernadin- Human Resource Management, Tata McGraw-Hill

Question Paper Pattern:-

- The paper will consist of Two Sections of 50 Marks each.
- Each section will have five questions, each question of 10 marks
- Questions 1, 2, 3, 4 of section I and Questions 6, 7, 8, 9 of section II will be essay type, having either/or option (internal option)
- Q. 5 in section – I and Q. 10 in section – II will be on 'Case Study' of 10 marks each, with option of writing short notes on any two out of four, each carrying five marks.
- Every essay type question will consist of a term or concept for which meaning needs to be written

