UNIT 4 MARKETING – AN OVERVIEW

LESSON 10 MARKETING

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10. MARKETING

10.0 Objectives

At the end of this lesson, you will be able to understand and learn about:

- Concept and process of Marketing
- Significance /importance of Marketing
- Scope of Marketing

10.1 Introduction

Marketing refers to activities that direct the flow of goods and services from producers to consumers. In advanced industrial economies, marketing considerations play a major role in determining corporate policy. Once primarily concerned with increasing sales through advertising and other promotional techniques, corporate marketing departments now focus on credit policies, product development, customer support, distribution, and corporate communications. Marketers may look for outlets through which to sell the company's products, including retail stores, direct-mail marketing, and wholesaling. They may make psychological and demographic studies of a potential market, experiment with various marketing strategies, and conduct informal interviews with target audiences. Marketing is used both to increase sales of an existing product and to introduce new products.

10.2 Marketing as a Process

Marketing is an ongoing process of planning and executing the marketing mix (Product, Price, Place, Promotion often referred to as the 4 Ps) for products, services or ideas to create exchange between individuals and organizations. Marketing tends to be seen as a creative industry, which includes research, advertising, distribution and selling. It is also concerned with anticipating the customers' future needs and wants, which are often discovered through market research. Essentially, marketing is the process of creating or directing an organization to be successful in selling a product or service that people not only desire, but are willing to buy. Therefore good marketing must be able to create a "proposition" or set of benefits for the end customer that delivers value through products or services.

10.3 Value – Exchange Concept of Marketing

"Marketing" is an instructive business domain that serves to inform and educate target markets about the value and competitive advantage of a company and its products. Exchange is the basic tenet of ‘Marketing’. It really means a sharing of ‘value’ between two parties, called the buyer and the seller. They need to transact business in a spirit of ‘near’ perfect understanding of the product/services offered.

There needs to be a legal contract to help consummate exchange. This means that there is an offer, agreement, formal transaction and ultimately an exchange of mutual value. The end effects of a transaction should ideally leave the least bad taste/ negative after effects, which is what we usually term as ‘satisfaction’. “Value” is worth derived by the customer from owning and using the product. On the other hand, “Competitive Advantage” is a depiction that the company or its products are each doing something better than their competition in a way that could benefit the customer. Marketing is focused on the task of conveying pertinent company and product related information to specific customers, and there are a multitude of decisions (strategies) to be made within the marketing domain regarding what information to deliver, how much information to deliver, to whom to deliver, how to deliver, to deliver, and where to deliver. Once the decisions are made, there are numerous ways (tactics) and processes that could be employed in support of the selected strategies.

Value of a product within the context of marketing means the relationship between the consumer's expectations of product quality to the actual amount paid for it. It is often expressed as the equation:

Value = Benefits / Price

or alternatively:

Value = Quality received / Expectations

10.4 Goal of Marketing

The goal of marketing is to build and maintain a preference for a company and its products within the target markets. The goal of any business is to build mutually profitable and sustainable relationships with its customers. While all business domains are responsible for accomplishing this goal, the marketing domain bears a significant share of the responsibility.

10.5 Some Definitions

- *Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others*.

  -Philip Kotler

- *Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably*

  -The Chartered Institute of Marketing (CIM).

10.6 Importance of Marketing

In the past, marketing was either not heard of at all or was used very minimally. Companies liked to simply produce a product and focus incredibly hard on trying to sell it. Now the entire process is reversed. Companies find out what their customers need or want, and then go back and find a way to create a product for that particular customer. This is pretty much how the entire thing works. Even though marketing is such a new concept, it is truly the backbone of a countless number of companies out there today. Marketers and their tools they use are the connection between customers who have needs and the companies that meet them. Companies without a marketing mindset are at a disadvantage in today's business world. Those who are still centered on their products, rather than their customers, are doomed to fail. Knowing what the clients' expectations are, exceeding them, and building a reputation based on that is the key to success. Marketing teaches to pay attention to customers, and they will come back time and time again.

With business environments becoming dynamic and turbulent, organizations are facing a difficult task in attracting and retaining their customers. They need to understand customer behavior and leverage customer information to manage customers profitably. Those who are not able to do this will eventually go out of business.

A business firm markets its products to satisfy customer needs and wants, and in turn, achieve its own goals. Marketing starts with identifying customer needs and wants and ends with satisfying them through a coordinated set of activities. An understanding of this fact gives rise to the marketing concept. The marketing concept embraces all the activities of a firm. It aims at matching the company's offering with customer needs, to achieve the desired level of customer satisfaction and generate profits for the company.

The important features of marketing are customer orientation, long-term profitability and functional integration. Delivering products which give value and satisfaction to the customer is the main goal of marketers. But over-concentration on any one feature (such as production, distribution etc.) will lead to marketing myopia. Marketers need to deliver value to their customers. Sometimes, they also need to inform them about the value they are delivering. Complete customer satisfaction is achieved by understanding customer requirements and delivering superior quality goods and services. Companies must provide the customers with a continuous flow of new ideas/offers and constantly enhance their service levels to build up satisfaction among customers. Marketers also need to work continuously to find ways and means to build good relations with their customers. This requires integration of all the areas of business that touch the customers like marketing, sales, customer service etc., through integration of people, processes and technology.

10.7 Scope of Marketing

Marketing people are involved in marketing entities viz. goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

- ***Goods-***Physical goods constitute the bulk of most countries' production and marketing effort. The United States produces and markets billions of physical goods, from eggs to steel to hair dryers. In developing nations, goods—particularly food, commodities, clothing, and housing—are the mainstay of the economy.

- ***Services-*** As economies advance, a growing proportion of their activities are focused on the production of services. For example, the U.S. economy today consists of a 70–30 services-to-goods mix. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

- ***Experiences-****.* By orchestrating several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience; so is the Hard Rock Cafe.

- ***Events-*** Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.

- ***Persons-*** Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals draw help from celebrity marketers.

- ***Places-*** Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents.5 Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

- ***Properties-*** Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).

- ***Organizations-*** Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." The Body Shop and Ben & Jerry's also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.

- ***Information-*** The production, packaging, and distribution of information is one of society's major industries. Among the marketers of information are schools. and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

- ***Ideas-*** *Every* market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

10.8 Assignments

10.8.1 Class assignments

i) Explain Marketing as a 'Process' and value exchange concept.

ii) Detail out the scope of marketing with related real-life examples.

10.9 References and Suggested Further Reading

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LESSON 11 BASIC MARKETING CONCEPTS

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11. BASIC MARKETING CONCEPTS

11.0 Objectives

At the end of this lesson, you will be able to understand and learn about:

- Fundamental philosophy and marketing concepts
- Marketing-mix
- Marketing environment

11.1 Introduction

In the simplest of terms, marketing is the process of satisfying an unfilled need through a mutual exchange process of products or services. A product is a physical item that you buy; it can be anything from your favorite candy bar to the sunglasses on your head. Services are not things that you can touch or taste; they are actions, which are performed for a charge. Popular services include doctor visits, mail delivery, and telephone carrier services. Every time you buy something you are fulfilling an unsatisfied need. For instance, you might buy a pair of shoes because you want to fit in or maybe because you want to stand out in the crowd. Whatever the motivation, your actions are always fuelled by unsatisfied needs.

11.2 Marketing Management Concepts and Approaches

What concept should guide a company marketing and selling efforts? What relative weights should be given to the interests of the organization, the customers, and society? These interests often clash; however, an organization's marketing and selling activities should be carried out under a well-thought-out philosophy of efficiency, effectiveness, and socially responsibility.

Five orientations (philosophical concepts to the marketplace have guided and continue to guide organizational activities are as follows-:

1. The Production Concept
2. The Product Concept
3. The Selling Concept
4. The Marketing Concept
5. The Societal Marketing Concept

1. **The Production Concept**. This concept is the oldest of the concepts in business. It holds that consumers will prefer products that are widely available and inexpensive. Managers focusing on this concept concentrate on achieving high production efficiency, low costs, and mass distribution. They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features.

2. **The Product Concept**. This orientation holds that consumers will favor those products that offer the most quality, performance, or innovative features. Managers focusing on this concept concentrate on making superior products and improving them over time. They assume that buyers admire well-made products and can appraise quality and performance. However, these managers are sometimes caught up in a love affair with their product and do not realize what the market needs. Management might commit the “better-mousetrap” fallacy, believing that a better mousetrap will lead people to beat a path to its door.

3. **The Selling Concept**. This is another common business orientation. It holds that consumers and businesses, if left alone, will ordinarily not buy enough of the selling company’s products. The organization must, therefore, undertake an aggressive selling and promotion effort. This concept assumes that consumers typically sho9w buyi8ng inertia or resistance and must be coaxed into buying. It also assumes that the company has a whole battery of effective selling and promotional tools to stimulate more buying. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants.

4. **The Marketing Concept**. This is a business philosophy that challenges the above three business orientations. Its central tenets crystallized in the 1950s. It holds that the key to achieving its organizational goals (goals of the selling company) consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its selected target customers. The marketing concept rests on four pillars: target market, customer needs, integrated marketing and profitability.

Distinctions between the Sales Concept and the Marketing Concept:

- The Sales Concept focuses on the needs of the seller. The Marketing Concept focuses on the needs of the buyer.

- The Sales Concept is preoccupied with the seller’s need to convert his/her product into cash. The Marketing Concept is preoccupied with the idea of satisfying the needs of the customer by means of the product as a solution to the customer’s problem (needs).

The Marketing Concept represents the major change in today’s company orientation that provides the foundation to achieve competitive advantage. This philosophy is the foundation of consultative selling. The Marketing Concept has evolved into a fifth and more refined company orientation:

5. **The Societal Marketing Concept.** This concept is more theoretical and will undoubtedly influence future forms of marketing and selling approaches. This concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors (this is the original Marketing Concept). Additionally, it holds that this all must be done in a way that preserves or enhances the consumer's and the society's well-being.

11.3 Marketing – Mix

It's a composition of four fundamental Ps of marketing namely- Product, Price, Place and Promotion as described below. A marketing mix is a combining of these four variables in a way that will meet or exceed organizational objectives. A separate marketing mix is usually crafted for each product offering. When constructing the mix, marketers must always be thinking of who their target markets are. Mix coherency refers to how well the components of the mix blend together. A strategy of selling expensive luxury products in discount stores has poor coherency between distribution and product offering.

In the long term, all four of the mix variables can be changed, but in the short term it is difficult to modify the product or the distribution channel. Therefore in the short term, marketers are limited to working with only half their tool kit. This limitation underscores the importance of long term strategic planning.

- **Product:** The product aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants. The scope of a product generally includes supporting elements such as warranties, guarantees, and support.

- **Pricing:** This refers to the process of setting a price for a product, including discounts. The price need not be monetary - it can simply be what is exchanged for the product or services, e.g. time, energy, psychology or attention.

- **Promotion:** This includes advertising, sales promotion, publicity, and personal selling, branding and refers to the various methods of promoting the product, brand, or company.

- **Placement (or distribution):** refers to how the product gets to the customer; for example, point of sale placement or retailing. This fourth P has also sometimes been called Place, referring to the channel by which a product or services is sold (e.g. online vs. retail), which geographic region or industry, to which segment (young adults, families, business people), etc. also referring to how the environment in which the product is sold in can affect sales.

Some commentators have increased the number of p's in the mix to 5, 6 or even 8. "People" is sometimes added (with reference to services products), recognizing the importance of the human element in all aspects of marketing. Others include "Partners" as a mix variable because of the growing importance of collaborative channel relationships.

11.3.1 Services Marketing

Services Marketing is marketing based on relationship and value. It may be used to market a service or a product. Marketing a service-base business is different from marketing a product-base business.

There are several major differences, including:

i. The buyer purchases are intangible

ii. The service may be based on the reputation of a single person

iii. It's more difficult to compare the quality of similar services

iv. The buyer cannot return the service

Seven Ps in case of services-

As well as the standard four P's (Product, Pricing, Promotion and Place), services marketing calls upon an extra three, totaling seven and known together as the extended marketing mix. These are:

- **People**: Any person coming into contact with customers can have an impact on overall satisfaction. Whether as part of a supporting service to a product or involved in a total service, people are particularly important because, in the customer's eyes, they are generally inseparable from the total service . As a result of this, they must be appropriately trained, well motivated and the right type of person. Fellow customers are also sometimes referred to under 'people', as they too can affect the customer's service experience, (e.g., at a sporting event).

- **Process:** This is the process (es) involved in providing a service and the behavior of people, which can be crucial to customer satisfaction.

- **Physical evidence:** Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. This, therefore, means that potential customers could perceive greater risk when deciding whether to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. This is done by providing physical evidence, such as case studies, testimonials or demonstrations.

11.4 Marketing Environment

An environment can be defined as anything which surrounds a marketing system. Therefore, marketing environment is anything which surrounds the marketing system of a business organisation or business as a whole. It affects the decisions, strategies, processes and performance of the business.

Environmental analysis is the study of the organizational environment to pinpoint environmental factors that can significantly influence organizational operations. In order to perform a marketing environmental analysis, one must thoroughly understand how organizational environments are structured. For purposes of environmental analysis, one can divide the environment of marketing into three distinct levels:

i. Internal environment

ii. Operating environment (Micro) and,

iii. General environment (Macro).

The internal environment consists of organisational strategies, resources (HR, Capital, Technological, marketing etc.) , policies and structure.

The micro environment consists of different types of stakeholders - customers, suppliers, creditors, Intermediaries, Media, Social groups, competitors

The macro environment consists of factors which are beyond the control of the business STEP – (Social, Technological, Economical and Political), demographical, natural, international.

Changes in the micro environment will directly affect and impinge on the firm's activities. Changes in the macro environment will indirectly affect the business but will nonetheless affect it. For example, a change in legislation such as the smoking ban indirectly affects the businesses of pubs and restaurants.

11.5 Marketing Environmental Scanning and Analysis:

Marketing environmental scanning is a concept from business management by which a marketing organization gathers information from the environment, to better achieve a sustainable competitive advantage in the industry. To sustain competitive advantage the marketing department of a company must also respond to the information gathered from environmental scanning by altering its strategies and plans when the need arises.

In this process. once a target market has been established, environmental scanning is a tool that can help determine a company's strategies. Environmental scanning consists of analyzing a variety of external dynamics. It is a search for information about relevant external forces to see how these may affect a business. These include economic, demographic, political-legislative, social and cultural, competitive dynamics, and technology affecting the business market. Detailed, these may look like the following points:

1) Economic:

a) Prosperity, recession, or recovery?
b) Inflation dynamics
c) Interest rate trends
d) Unemployment

2) Demographic:

a) Refers to the changing nature of the target market population
b) What are some current trends?
c) What are the implications of these changes?
d) Is there a changing ethnic mix?
e) Have buying habits and needs changed?

3) Political / Legislative

a) Government relationships with large players
b) Policies set by government agencies
c) General fiscal/monetary policies

4) Social and Cultural:

a) Lifestyles and values
b) Attitudes and emphasis on service quality and value
c) Demand for new services and conveniences such as filtering or spam / virus control

5) Competitive:

a) Direct competitors
b) All services competing for the same market

6) Technological:

a) New forms of competition, like power companies?
b) Impacts how people use their time
c) Convenience and transparency

A thorough analysis, such as that provided by an environmental scan, helps a company identify opportunities and/or challenges that may arise from changes in its external environment. This investigation gives a business time to react to change or to new findings, and to create strategies that will allow it to compete successfully. An environmental scan can supply relevant information to support decisions about service, pricing, competitive, and promotions strategy.

Not only is it important to determine customers' wants and needs, it is important to understand how needs change, how technology is changing wants and needs, and how legislation affects competitive activity.

It is, similarly, important to have information about the demographic makeup of your market to know what services to emphasize, how to price them, as well as the most effective promotional means. Doing so will result in designing services that will satisfy customers.

Additionally, knowing about competitive activity can enable to differentiate services and provide an understanding of how to position the business in the market.

11.6 Assignments

11.6.1 Class assignments

i) Describe the importance of marketing environmental scanning for marketing planning.

ii) Explain the utility of additional P-s in the marketing mix for selling 'service' products.

iii) Identify and discuss examples of product, price, place and promotional strategies used by a commercial enterprise in India.

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LESSON 12 SYSTEMS APPROACH OF MARKETING

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12. MARKETING

12.0 Objectives

At the end of this lesson, you will be able to understand and learn about:

- Systems dynamics in marketing.
- Other marketing concepts and trends.

12.1 Introduction

Systems thinking is a framework that is based on the belief that the component parts of a system can best be understood in the context of relationships with each other and with other systems, rather than in isolation. The only way to fully understand why a problem or element occurs and persists is to understand the part in relation to the whole.

- Standing in contrast to Descartes's scientific reductionism and philosophical analysis, it proposes to view systems in a holistic manner. Consistent with systems philosophy, systems thinking concern an understanding of a system by examining the linkages and interactions between the elements that compose the entirety of the system.

- Systems thinking attempts to illustrate that events are separated by distance and time and that small catalytic events can cause large changes in complex systems. Acknowledging that an improvement in one area of a system can adversely affect another area of the system, it promotes organizational communication at all levels in order to avoid the silo effect. Systems thinking techniques may be used to study any kind of system — natural, scientific, engineered, human, or conceptual.

Every system has a boundary to the surrounding "environment", which is more or less permeable. This boundary might be material (like the skin of a human body) or immaterial (like the membership to a certain social group).

System borders are important for several reasons:

- Borders ensure (and even may determine) the identity of the system.

- The relations between a system and its environment take place mainly at the borders. It is at the borders, where it is determined, what can enter or leave a system (input and output).

Systems often have a dynamic behavior over time. This behavior is often related to the aim of the system. Biological systems (living beings) are determined to ensure their self-preservation (essentially via homeostasis); production and marketing systems are made for a certain output and profitability; transport systems are designed for a certain throughput etc.

On a closer perspective, individual system elements might be considered as whole sub-systems or a system might be a single element of a larger system. Advertising might be a sub-system of marketing, which is again an element of a more complex business system. Thus whole hierarchies of systems may emerge.

12.2 System Dynamics

System dynamics can take credit for being the first branch of mathematical research that can effectively investigate complex and non-linear business scenarios and suggest solution optimization. Its tools prove to be a powerful, yet simple and cost-effective methodology for developing deep insights in the working of various kinds of systems and providing management flight simulators for policy design and process-integration based on the optimum solutions generated through the calibrated computer models. The purpose of modeling and simulation is to mimic any business system under study so that its future behavior can be understood and controlled in the desired direction and since nonlinear dynamical systems do not have exact analytical solutions, their behavior can only be determined through simulation.

Most modern-day system dynamics software packages allow a system dynamicist to create a model by placing icons (stocks, flows, feedback links, etc.) on an electronic piece of paper displayed on a computer screen, and connecting them together with the computer's mouse. While this is occurring, the software automatically generates equations that correspond directly to each of the icons. The stock icon in the following figure, for example, corresponds directly to a mathematical equation that tells a computer how to calculate the amount that has flowed into it during a particular period of time.

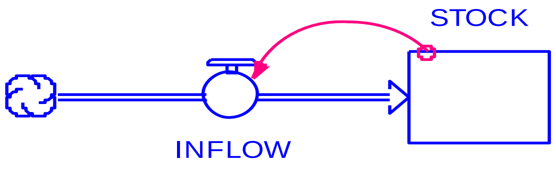

Fig. 12.1 A Typical SD-Construct

In general terms, this equation is: $Stock_t = Stock_{(t\text{-}DT)} + DT * Flow_{(t\text{-}DT) \text{ -> } t}$

The approach of systems dynamics was founded by Jay W. Forrester at MIT at about 1960. He developed a powerful method for describing interrelated systems (using causal loop diagrams, stock-and- flow diagrams) and the simulation language

Dynamo for the numerical simulation of dynamic systems. The main issue of stock-and-flow diagrams and of the System Dynamics simulation style is a clear distinction between stock and flow variables (or levels and rates in the original terminology of Forrester). The field developed initially from the work of Jay W. Forrester. His seminal book Industrial Dynamics (Forrester 1961) is still a significant statement of philosophy and methodology in the field. Since its publication, the span of applications has grown extensively and now encompasses work in

- Corporate planning and policy design
- Public management and policy
- Biological and medical modelling
- Energy and the environment
- Theory development in the natural and social sciences
- Dynamic decision making
- Complex nonlinear dynamics

12.2.1 What is System Dynamics?

System dynamics is a methodology for studying and managing complex feedback systems, such as one finds in business and other social systems. In fact it has been used to address practically every sort of feedback system. While the word system has been applied to all sorts of situations, feedback is the differentiating descriptor here. Feedback refers to the situation of X affecting Y and Y in turn affecting X perhaps through a chain of causes and effects. One cannot study the link between X and Y and, independently, the link between Y and X and predict how the system will behave. Only the study of the whole system as a feedback system will lead to correct results.

12.2.2 The Methodology

It consists of following steps-

- Identifies a problem
- Develops a dynamic hypothesis explaining the cause of the problem
- Builds a computer simulation model of the system at the root of the problem
- Tests the model to be certain that it reproduces the behaviour seen in the real world
- Devises and tests in the model alternative policies that alleviate the problem
- Implements this solution

Methodologically, system dynamics has always placed a strong emphasis on the notion of counter-intuitive behavior of complex dynamics systems. That is, due to the intricate interplay between many interrelated factors and the non-linearity of their relationships, the dynamic behavior of complex systems is becoming practically very difficult to predict from a description of their static structure. Hence, simulation modeling and analysis is essential for robust decision-making and policy design.

Second, as a decision-support tool, SD-simulation models allow managers to mathematically try out various options to see how they might play out over time, and to test the sensitivity of results to changes in key variables. Hence, it would explore various options that are further evaluated and tweaked by simulating how a marketing system logistic would behave under those options and how stable it is.

12.3 Application of System Dynamics in Marketing Decision Making

Decisions concerning marketing strategies in today's competitive environment are complex and challenging for a decision-maker; time pressure, incomplete information, unknown feedback loops, organizational contexts, and selfish motivations strongly influence such decisions. All decisions and subsequent actions can turn out badly. Marketing executives face complex and highly unstructured conditions and the implications of a seemingly attractive strategy cannot be known with any degree of certainty before implementing a decision. Enhancing the knowledge of system dynamics relating to marketing action is possible by achieving insights into the complex behavior of the system and the interaction among decision variables. Using simulation models permit the testing of various assumptions and provide decision-makers with the ability to explore the consequences of various scenarios and alternative functional relationships among variables in the system.

12.4 Other Marketing Concepts and Trends

a) Multi-Level Marketing (MLM)

It is also known as Network Marketing, is a business-distribution model that allows a parent company to market its products directly to consumers by means of relationship referrals and direct selling.

Independent, unsalaried salespeople of multi-level marketing, referred to as distributors (or associates, independent business owners, dealers, franchise owners, sales consultants, consultants, independent agents, etc.), represent the parent company and are awarded a commission based upon the volume of product sold through each of their independent businesses (organizations).

Independent distributors develop their organizations by either building an active customer base, who buy direct from the parent company, or by recruiting a downline of independent distributors who also build a customer base, thereby expanding the overall organization. Additionally, distributors can also earn a profit by retailing products they purchased from the parent company at wholesale price.

Distributors earn a commission based on the sales efforts of their organization, which includes their independent sale efforts as well as the leveraged sales efforts of their down line. This arrangement is similar to franchise arrangements where royalties are paid from the sales of individual franchise operations to the franchisor as well as to an area or region manager. Commissions are paid to multi-level marketing distributors according to the company’s compensation plan. There can be multiple levels of people receiving royalties from one person's sales.

- Multi-level marketing has a recognised image problem because of difficulties in making a clear distinction between legitimate network marketing and illegal "pyramid schemes" or Ponzi schemes.

- Multi level Marketing is not a very viable concept, even theoretically, nor is it a very profitable means of distribution for all parties involved in Multi level Marketing. This non-viability is basically caused by a heightened expectation of easy money. In fact the concept of Multi level Marketing is no longer new. It is also exempt from the normal rules of the market and the way goods and services are otherwise sold. Many companies have tried the concept of Multi level Marketing and most of them have failed.

- It is usually the unfortunate distributor at the bottom who is the loser. Of course money can be made with Multi level Marketing. But the money being made is not always legitimate and sometimes made via a sophisticated con scheme.

In India a few companies have introduced Multi level Marketing in a very large scale, by quoting and promising very high returns. A large number of the people belonging to the middle class population of India have joined into this dying business of Multi level Marketing by paying an entry fee into the business.

Among the companies known as MLM:

- Amway
- Equinox (MLM)
- Herbalife
- Mary Kay
- NuSkin
- Pre-Paid Legal
- Primerica

Excel Communications, a $2 billion-plus Dallas-based company founded in 1988, exemplifies a successful MLM company. The top money-earners for Excel, such as Paul Orberson, Phil Mims, and Chuck Hoover, rank among the highest earners in the history of MLM.

b) Direct Marketing

It is a form of marketing that attempts to send its messages directly to consumers, without the use of intervening media.
Direct marketing is a marketing tool which comprises activities such as direct mail, telemarketing, mail order, direct response advertising and email marketing.

Direct marketing provides a unique range of benefits because it enables marketer to engage directly with the audience - whether they are prospects, leads, end users or existing customers.

Other advantages of direct marketing include:

- **Flexible Targeting:** Direct marketing enables to talk directly identify, isolate and communicate with well-defined target markets. This means one gets a higher conversion and success rate than if tried communicating to everyone in the mass market. And direct marketing is also far cheaper than mass market communication.

- **Multiple Uses:** Direct marketing doesn't just have to be used to sell - it can be used to test new markets and trial new products or customers, to reward existing customers to build loyalty, collect information for future campaigns, or segment a customer base.

- **Cost-Effectiveness:** The cost per acquisition of direct mail can be significantly less than other marketing methods. Plus once acquired a customer, a marketer can also benefit from highly profitable repeat sales, gained once again through direct marketing methods.

- **Rapid Delivery:** Direct marketing is both swift and flexible in achieving results. This is especially true for telemarketing, one of the direct marketing tools, as the results of a conversation can be logged immediately and scripts adjusted straight away to improve results.

- **Relationship Building:** Direct marketing is far more effective at initiating and developing a meaningful dialogue with new customers. From the outset a company has a direct relationship with them, which can also be used as part of a push pull strategy to stimulate demand for retailers.

c) Internet Marketing or On-line Marketing

Internet Marketing is an all-inclusive term for marketing products and/or services online – and like many all-inclusive terms, Internet marketing means different things to different people. Essentially, though, Internet marketing refers to the strategies that are used to market a product or service online, marketing strategies that include search engine optimization and search engine submission, copywriting that encourages site visitors to take action, web site design strategies, online promotions, reciprocal linking, and email marketing – and that's just hitting the highlights. Online marketers are constantly devising new Internet marketing strategies in the hopes of driving more traffic to their Web sites and making more sales; witness the increasing use of blogs as marketing tools for business, for instance.

Internet marketing, also referred to as i-marketing, web marketing, online marketing, or e-marketing, is the marketing of products or services over the web/ Internet.

The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting responses, is a unique quality of the medium. Internet marketing is sometimes considered to have a broader scope because it not only refers to digital media such as the Internet, e-mail, and wireless media; however, Internet marketing also includes management of digital customer data and electronic customer relationship management (ECRM) systems.

Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sale.

Internet marketing is relatively inexpensive when compared to the ratio of cost against the reach of the target audience. Companies can reach a wide audience for a small fraction of traditional advertising budgets. The nature of the medium allows consumers to research and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to consumers in a medium that can bring results quickly. The strategy and overall effectiveness of marketing campaigns depend on business goals and cost-volume-profit (CVP) analysis.

Internet marketers also have the advantage of measuring statistics easily and inexpensively. Nearly all aspects of an Internet marketing campaign can be traced, measured, and tested. The advertisers can use a variety of methods: pay per impression, pay per click, pay per play, or pay per action. Therefore, marketers can determine which messages or offerings are more appealing to the audience. The results of campaigns can be measured and tracked immediately because online marketing initiatives usually require users to click on an advertisement, visit a website, and perform a targeted action. Such measurement cannot be achieved through billboard advertising, where an individual will at best be interested, then decide to obtain more information at a later time.

Internet marketing is growing faster than other types of media. Because exposure, response, and overall efficiency of Internet media are easier to track than traditional off-line media—through the use of web analytics for instance—Internet marketing can offer a greater sense of accountability for advertisers. Marketers and their clients are becoming aware of the need to measure the collaborative effects of marketing (i.e., how the Internet affects in-store sales)

12.5 References and Suggested Further Reading

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