
UNIT 19 EMERGING ISSUES IN MARKETING

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19.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning, importance, elements and benefits of relationship marketing;
- narrate the importance, various categories of service mix and marketing strategies for service firms;
- explain the concept and various issues related to Internet marketing;
- describe the concept, importance and problems of green marketing;
- narrate the concept and components of marketing mix for social marketing; and
- explain the importance and challenges of rural marketing in Indian context.

19.1 INTRODUCTION

In Unit 1 you have studied that the marketing process consists of four steps: (1) analyzing the marketing opportunities, (2) selecting target markets, (3) developing the marketing mix, and (4) implementing and controlling. From Units 2 to 18 you have already studied all aspects relating to these four steps. However, as a marketing

executive you may come across certain terminology and issues which are not discussed in the previous units. For instance, you may come across the concept of Relationship Marketing, which speaks about establishing long-term relationships with the stakeholders. How Internet technology is used for marketing? How different it is to market products or services in the rural markets? How different it is to market the ideas or concepts like Eradication of Polio, AIDS Control, Population Control, etc., to the general public? Some such issues are addressed in this Unit. In specific, this unit is intended to introduce you to a variety of emerging concepts such as Relationship Marketing, Services Marketing, Internet Marketing, Green Marketing, Social Marketing and Rural Marketing.

19.2 RELATIONSHIP MARKETING

Basic purpose of marketing is to create strong and lasting relationships with a core group of customers by making them feel good about how the company does business with them and by giving them some kind of personal connection to the business. Marketers accomplish this by promising and delivering high-quality products and services at fair prices to the other parties over time.

Relationship marketing builds strong economic, technical and social ties among the stakeholders. It cuts down on transaction costs and time. In most successful cases, transactions move from being negotiated each time to being a matter of routine. The ultimate outcome of relationship marketing is the building of a unique company asset called a *marketing network*. A marketing network consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, retailers, ad agencies, and others) with whom it has built mutually profitable business relationships. Increasingly, the competition is not between companies but between marketing networks, with the price going to the company that has built the better network. The cardinal principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.

Many firms have established relationship-marketing programs to foster usage loyalty and a commitment to their company's products and services. A review of the composition of 66 consumer relationship-marketing programs revealed three elements shared by more than 50 percent of the programs. They are: (1) fostering ongoing communication with customers (73% of the programs), (2) furnishing loyalty by building extras like upgrades and other perks (68% of the programs), and (3) stimulating a sense of belonging by providing a "club membership" format (50% of the programs). Like personal relationships between individuals who are willing to do favor for each other, "relationship" marketers offer loyal customers special services, discounts, increased communications, and attention beyond the core product or service, without expecting an immediate payback. However, they hope that, over time, they will reap the advantages of sustained and increasing transactions with a core group of loyal customers.

Companies in a wide variety of product and service categories are practicing relationship marketing, in the recent years. Many companies call their relationship programs a club and some even charge a fee to join. Membership in a club may serve as a means to convey to customers the notions of permanence and exclusivity inherent in a "committed relationship". Members of these clubs receive on a regular basis journals and newsletters, gifts, and variety of other materials. Airlines and major hotel chains, in particular, use relationship-marketing techniques by awarding points to frequent customers that can be used to obtain additional goods or services from the company.

Ultimately, it is to a firm's advantage to develop long-term relationship with existing

customers, because it is easier and less expensive to make an additional sale to an existing customer than to make a new sale to a new customer. However, the effort involved for the firm in developing and maintaining a customer relationship must be weighed against the expected long-term benefits. Marketers must determine the "lifetime value" of a customer to ensure that the costs of obtaining, servicing, and communicating with the customers do not exceed the potential profits. Some of the possible benefits of a successful relationship marketing program are repeat purchases, "extra" loyalty of the consumers, goodwill, positive word-of-mouth, lower promotional costs for the firm, and so on.

Elements of Relationship Marketing: The relationship-marketing program incorporates the following three key elements:

- a) ***Identifying and building marketing databases of potential and present customers:*** In relationship marketing, the **customer database** is a very important strategic asset for manufacturers as the brand itself. Advertisers need to use mass media and more targeted media channels as ways of prospecting for customers. Once potential customers have been identified, advertisers must capture their names and information on their lifestyles in a database for future communications. It is important to keep in mind that not all consumers are appropriate target for relationship marketing, and not all targets are customers. Consequently, the initial database must be carefully refined and segmented. Designed and developed properly, the marketing database will allow companies to expand their internal capabilities to include relationship marketing. Marketing research will play a crucial role in developing these databases. Most of these databases can be build using secondary data.
- b) ***Deliver differentiated messages to targeted households:*** Advertisers must develop the ability to communicate with a defined audience of the existing and potential users of their products. The media choices they make must therefore offer the ability not only to broadcast the message to the entire circulation or audience, but also to target precisely defined demographic segments. For advertisers, more precise targeting means greater impact. Mass circulation magazines are responding to advertisers' needs with selective binding and personalized inkjet printing. Broadcast media are also relinquishing their positions as passive media. Telemarketing innovations will allow broadcast media to become increasingly interactive. At the same time, addressability will become an important factor in both cable and broadcast.
- c) ***Track the relationship to make media expenditures more effective and more measurable:*** Common wisdom has it that half of all advertising amount is wasted; the difficulty is knowing which half. The media innovations will allow advertisers to pinpoint what works and what doesn't. Consequently, relationship marketing's most important effect will be a shift in the way decisions are made about where to advertise. Traditionally, decisions have been based on various *ex ante* measures of exposure, such as cost-per-thousand, audience, or circulation. In the future, however, decisions will be made on *ex post* factors, such as evidence of penetration of the required target audience or even evidence of sales results. In this new environment, the basis of measurement changes and emphasis will shift from cost-per-thousand to the value of reaching a target market. Advertisers must evaluate the cost of gaining and maintaining a customer relationship over several years. Once again, marketing research will play a significant role in this phase of relationship marketing program. Tracking usually will be done by survey research. The various statistical tools necessary to process the information in the database may be used.

Role of Sales Force in Relationship Marketing: Companies are asking their sales force to practice relationship marketing. In relationship marketing a sales

representative sells a long-term partnership in which both parties collaborate on identifying needs and developing, maintaining, and updating products and services customized to fulfill them. The modern sales person is attempting to establish a long-term, symbiotic relationship with clients, working with them as a solution provider. One of the most valuable electronic tools for the sales representative is the company Web site, and one of its most useful applications is as a prospecting tool. Company Web sites can help define the firm's relationships with individual accounts and identify those whose business warrants a personal sales call.

Relationship Marketing in Direct Marketing: Given the huge amount of competition in the given field, some catalogue retailers are trying to engage in relationship marketing by including in their catalogues editorial content that they think will make them "human" to their customers. For example, some cookware catalogue includes recipes and menus; some clothing catalogues include such information as how silk fabric is produced or how cashmere sweaters are made. There is also some evidence that relationship marketing is helping catalogue retailers overcome the perception that catalogue prices are higher than store prices. Relationship marketing is also being practiced by manufacturers and service providers.

Relationship Marketing in Retailing: Today's best retailers realize it is in their interest to engage in relationship retailing whereby they seek to establish and maintain long-term bonds with customers rather than activities where by each sales transaction is a completely new encounter with them. This means the retailers must concentrate on the total retail experience, monitor satisfaction with customer service and stay in touch with customers to be effective. In relationship retailing, a firm has to keep two points in mind. Firstly, because it is harder to lure new customers than to make existing ones happy, a win-win approach should be enacted. For the retailer to "win" in the long run (attract shoppers, make sales, earn profits), the customer must also "win" in the long run (receive good value, be treated with respect, feel welcome by the retailer). Otherwise, the retailer loses (shoppers patronize competitors) and customers lose (by having to spend time and money to learn about other retailers). Secondly, due to advances in computer technology it is now much easier to develop a customer database with information on their attributes and past shopping behaviour. Thus, ongoing customer contact can be better, more frequent and more focused.

Benefits of Relationship Marketing: When a relationship-marketing program is properly implemented, the firm will begin to focus as much on managing its customers as on managing its products. At the same time, companies should realize that while there is a strong and warranted move toward relationship marketing, it is not effective in all situations. Barbara Jackson (1985) argues that relationship marketing is not effective in all situations but is extremely effective in the right situations. She sees transaction marketing as more appropriate with customers who have a short time horizon and low switching costs, such as buyers of commodities. Relationship marketing pays off handsomely with customers who have long time horizons and high switching costs, such as buyers of office automation systems. The customer for a major system carefully researches competing suppliers and chooses one from whom it can expect good long-term service and state-of-the-art technology. Both the customer and the supplier invest a lot of money and time in the relationship. Anderson and Narus (1991) believe that transaction versus relationship marketing is not so much an issue of the type of industry as of the particular customer's wishes. Some customers value a high service bundle and will stay with that supplier for a long time. Other customers want to cut their costs and will switch suppliers for lower costs. In this case, the company can still retain the customer by agreeing to reduce the price, provided the customer is willing to accept fewer services. This customer would be treated on a transaction basis rather than on a relationship-building basis.

19.3 MARKETING OF SERVICES

You have already studied about services in Unit 7 in Block 3 of this course. You will study some more details about services marketing in this section.

Marketing theory and practice developed initially in connection with physical products such as soaps, cars, and other tangible products. However, in the recent years there has been a phenomenal growth of services. This trend we find world wide. More than 50% Gross Domestic Product (GDP) is being generated by services and more than 70% employment in services. More and more tangible or physical products now contain a service component, both to meet the needs of the targeted customer segment and to create a distinctive differentiation for competitive reasons. Many manufactured goods are supported by services such as warranties or guarantees.

There are a large number of companies who are mainly in the service business. Service industries vary greatly in terms of services they provide and their size. In the present world of information era, many service industries such as banking and other financial services are not only the mainstay of economy but also dominating Internet and e-commerce.

19.3.1 Categories of Service Mix

A company may often include some services. The service component may be major or minor of the total offering. Five categories of offerings can be distinguished.

- a) **Pure Tangible Good only:** The offering is only tangible goods such as toothpaste, soap, etc., but no services accompanying the product.
- b) **Tangible Good with Accompanying Service:** The offering consists of a tangible good accompanied by one or more service. Maruti Udyog, for example, offers repairs, maintenance, warranty fulfillment, frees service up to a period or kilometers, and other services along with its cars. For more technologically sophisticated durable products, the sales depend on accompanying services. Examples include computers, TVs, washing machines and many other durable goods. Industrial goods particularly Capital goods also require certain types of services along with the tangible product.
- c) **Hybrid:** The offering consists of equal parts of goods and services. For example, people go the restaurants both for food and service.
- d) **Major Service with Accompanying Minor Goods and Services:** Here the offering is predominantly in the form of a service. Here consumer primarily goes for the quality of service but may give importance to accompanying minor goods and services. For example, Airlines not only provide the transportation as the major service, but also provide food, drinks, magazine and other facilities as accompanying minor goods and services.
- e) **Pure Services:** The offering consists primarily of service and no or very insignificant accompanying minor goods or services. For example, insurance, banking, psychotherapy, baby-sitting, hair cutting, etc.

Because of this varying nature of goods-to-service mix, it is difficult to generalize services without further distinctions. Services can be classified or distinguished as follows:

- i) *Equipment based services* (e.g. Automatic car washing, repair etc.) and *People based services* (e.g. accounting services, banking, etc).
- ii) *Services requiring presence of clients* (e.g. surgery, hair cutting, etc) and *services not requiring presence of clients* (e.g. banking, broking, etc.).
- iii) *Services meeting personal needs* (e.g. telephone, credit cards, etc) and

services meeting business needs (e.g. technical consultancy, call centre services, etc).

- iv) Service providers with profit oriented *objectives* and service providers with non-profit oriented objectives.
- v) Service enterprises under private sector and service enterprises under public sector.

19.3.2 Marketing Strategies for Service Firms

Service firms started using marketing tools very late. Traditional 4Ps work well for tangible goods, but additional elements required. These additional Ps are (i) physical evidence, (ii) processes, and (iii) people. Because most services are provided by people, the selection, training and motivation of employees can make a huge difference in customer satisfaction. Companies also try to demonstrate their services quality through physical evidence. Example hostel, banks with atmospherics can show quality of service.

Service firms can choose among different processes to deliver their services. For example, installation of ATM by banks, Teller system, etc. In view of the complexity, service marketing requires not only external marketing, but also internal and interactive marketing. External marketing describes the normal work to prepare, price, distribute and promote the service to customers. Internal marketing describes the work to train and motivate employees to serve customers well. The interactive marketing describes the employees' skills in serving the clients / customers.

Check Your Progress – A

1. What do you mean by relationship marketing?
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2. What is the difference between marketing and relationship marketing?
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3. List out various categories of service mix.
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4. State whether the following statements are true or false:
 - i) Relationship marketing ignores consumer satisfaction.
 - ii) Relationship marketing is not relevant in retail marketing.
 - iii) In relationship marketing, the firm focuses as much on managing its customers as on managing its products.
 - iv) Elements of marketing mix for services are different from tangible products.
 - v) Services can be stored and consumed later whenever needed.

19.4 MARKETING ON THE INTERNET

19.4.1 Meaning and Features

The hottest medium going right now seems to be the Internet. The economist points out that no communication medium or electronic technology has ever grown as quickly, not even fax machines and PCs. Some think everyone has discovered this new medium and its opportunities are limitless, others are not inclined to agree. We will discuss this new medium, its advantages and disadvantages.

The **Internet** is a *worldwide means of exchanging information and communicating through a series of interconnected computers*. Started as a U.S Defense Department project, the Internet or information superhighway, is now accessible to anyone with a computer and a modem.

The following are the some of the features of the Internet:

Feature	Use
Electronic mail (e-mail)	Allows users to send electronic mail anywhere in the world
Usenet	Discussion groups, newsgroups, and electronic bulletin boards, similar to those offered by online services.
Telnet	Online databases, library catalogs, and electronic journals at hundreds of colleges and public libraries.
File transfer protocol (ftp) or hypertext transfer protocol (http)	The ability to transfer of files from one mainframe computer to another.
Client server	Allows for the transfer of files from one mainframe computer to another.
Gopher	A document retrieval system used to search for information
Wide area information server (WAIS)	Enables one to use keywords in specific database and retrieve full text information.
World Wide Web (WWW)	Does much the same thing as gopher and WAIS, but combines sound, graphic images, video and hypertext on single page.

While the Internet offers a variety of services to users, the most powerful and popular is the World Wide Web (WWW), commonly referred to as the Web. In fact, many use the terms Internet and World Wide Web synonymously. For marketers, a number of Internet features offer potential, but it is the Web that has developed as the commercial component First, however, it would be useful to examine some of the Internet terminology.

19.4.2 Developing an Internet Program

Like other media, using the Internet wisely also requires development of a plan. This plan should consider target audiences (users of the Net) as well as specific objectives and strategies and a way to measure effectiveness.

Web Participants: The Web, like other media, has both advertisers and potential customers. Unfortunately, the actual degree of use and profiles of these groups is extremely difficult to determine

- **Advertisers:** Estimates of ad spending on the Web in the first half of 1996 vary, but most sources place this figure in the \$66 to \$71 million range, indicating triple-digit growth from the same period in 1995. AT&T, Master Card, American Airlines, MCI, and the Internet Shopping Network were some of the top advertisers, though many consumer and business-to-business companies participated. A variety of *providers of Internet services* have also surfaced. Traditional ad agencies have developed Internet advertising departments. New agencies that provide only Internet advertising assistance and website developers are also appearing in increasing numbers
- **Users:** An even harder profile to develop is that of the users of Internet. Again, the estimated number of users constitutes a broad range, from as few as 18 million to over 90 million in the U.S and from 50million to 110million worldwide. Demographic profiles also vary, though most studies agree that the heaviest users of Net are in their 30s and have above-average education and income. Males log on more frequently than females, and a disproportionate number of Web surfers are technology oriented, spending more than average amounts of time on the computer.

While the exact profiles of advertisers and users of the Web may be difficult to obtain, most marketers remain optimistic about the potential for communicating with and selling to consumers.

Web Objectives: The Web offers marketers an excellent opportunity to sell their products directly to the consumers. Thus, one of the primary objectives of **advertising on the Internet** is to generate sales directly. Advertisers on the Internet may have additional objectives in mind, including the following:

- The website is an excellent place to provide in-depth information about a company's products and/or services.
- Advertising on the Web can be useful in creating awareness of an organization in general as well as its specific product and service offerings.
- The Web has been used by marketers to gain audience profile information to determine their preferences, buying habits, and so on.
- The website may be designed to project the image an organization or company wishes to have.
- Some websites offer electronic coupons to attempt to stimulate trial of their offering.
- The Web has the capabilities to move customers and prospects through successive stages of the buying process.

Web Strategies: Web advertising may take place through the use of display *banners* and the establishment of a *website* that provides more extensive information about the company or organization. Some of these are used to stimulate sales directly, while others serve other communications objectives. Procter and Gamble is increasing its ad expenditure in this area, and both McDonald's and Disney have established websites to reach the children's market. Having a website does not, in itself, guarantee a successful communications programme.

While the website can be valuable in providing information and even in making the sale, consumers must first be attracted to the site. A number of companies are now experimenting with a strategy of "*web casting*"-pushing out site information to Web users rather than waiting for them to find the site on their own.

Audience Measurement on the Internet: At least part of the problem in defining the Internet user is due to the infancy of this medium. In all media, audience measurement providers have become involved only after the medium has achieved a significant role in the marketplace. As Internet providers develop their offerings, audience data will improve. Several sources of audience information are now available or soon will be. Among them the following are some instances:

- *Nielsen Media Research and Commerce Net* conduct surveys to determine Web demographics and usage characteristics.
- *IntelliQuest* conducts surveys of Web users to provide demographic, lifestyle, and usage information.
- *PC-Meter*, a metering service, measures how much time computer users spend at their machines, what software and online services they access, and how long they spend online. It also provides demographic data.
- *Audit Bureau of Circulations*, a print agency, is developing a product called WebFacts to certify Web counts.
- *Simmons Market Research Bureau* provides viewership profiles of the Internet and other interactive media.

No specific criteria for setting advertising rates or measuring effectiveness of the Web have been agreed on by all advertisers. Since ad rates are determined in part by potential exposures, advertisers have demanded information regarding the potential number of viewers of their banners and websites. However, since there are no accurate figures on viewers, many companies have reservations at this costing method. They argue that the number of people who see a banner is irrelevant and that rates should be based on the number of visitors to a site.

19.4.3 Advantages and Limitations of Internet Marketing

Advantages: A number of advantages of advertising on the web can be cited as follows:

- **Target Marketing:** A major advantage of the web is the ability to target very specific groups of individuals with a minimum of waste coverage.
- **Message Tailoring:** As a result of precise targeting, messages can be designed to appeal to the specific needs and wants of the target audience.
- **Interactive Capabilities:** The interactive nature of the Web leads to a higher degree of customer involvement.
- **Information Access:** Once users visit the website, they can garner a wealth of information regarding product specifications, purchase information, and more.
- **Sales Potential:** Because this is a direct-response medium, the ability to generate sales is high.
- **Creativity:** Proper design of a website can lead to repeat visits and generate interest in the company as well as its products and services. Banners and websites can be changed frequently to stimulate interest.
- **Market Potential:** As household penetration of PCs increases and awareness as well as interest in the Net continue to grow, the market potential will continue to increase.

Limitations: The following are some of the limitations of Internet marketing:

- **Measurement Problems:** Due to the novelty of this medium, sophisticated and universally adopted measures of audience and effectiveness have not yet been established.

- **Audience Characteristics:** It is difficult to measure exact characteristics of Web users.
- **Web Snarl:** A major complaint associated with the Web is the time required to access information. As more and more people enter the web, this problem will get worse. There are already indications of high dropout rates due to the slowness of the Net.
- **Clutter:** As the number of ads proliferates, the likelihood of one ad being noticed drops. E-mail is already experiencing floods of marketing related communications.
- **Costs:** Many advertisers believe the Web is an effective medium for high-ticket items but less efficient for lower-priced consumer products like soups and candies. Relatively high costs of advertising and delivery limit the Web's appeal.

19.5 GREEN MARKETING

One business area where environmental issues have received a great deal of discussion in the popular and professional press is marketing. Terms like "Green Marketing" and "Environmental Marketing" appear frequently in the popular press. Many governments around the world have become so concerned about green marketing activities that they have attempted to regulate them.

19.5.1 Meaning and Importance

Unfortunately, a majority of people believe that green marketing refers solely to the promotion or advertising of products with environmental friendly characteristics. Green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Yet defining green marketing is not a simple task. Indeed the terminology used in this area has varied, it includes: Green Marketing, Environmental Marketing and Ecological Marketing. Green marketing came into prominence in the late 1980s and early 1990s.

Green Marketing or Environmental Marketing or Ecological Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment. This definition incorporates much of the traditional components of the marketing definition that is "All activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants." Therefore it ensures that the interests of the organization and all its consumers are protected, as voluntary exchange will not take place unless both the buyer and seller mutually benefit. The above definition also includes the protection of the natural environment, by attempting to minimize the detrimental impact this exchange has on the environment.

Importance of Green Marketing: The question of why the importance of green marketing has increased is quite simple. Mankind has limited resources on the earth, with which she/he must attempt to provide for the worlds' unlimited wants. In market societies where there is "freedom of choice", it has generally been accepted that individuals and organizations have the right to attempt to have their wants satisfied. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants (both of individuals and industry), as well as achieving the selling organization's objectives.

There are several reasons for increased use of Green Marketing by firms. Following are the five possible reasons:

- 1) **Opportunities:** It appears that all types of consumers, both individual and industrial are becoming more concerned and aware about the natural environment. In a 1992 study of 16 countries, more than 50% of consumers in each country (other than Singapore), indicated they were concerned about the environment. Given these figures, it can be assumed that firms marketing goods with environmental characteristics will have a competitive advantage over firms marketing non-environmentally responsible alternatives. There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer needs.
- 2) **Social Responsibility:** Many firms are beginning to realize that they are members of the wider community and therefore must behave in an environmentally responsible fashion. This translates into firms that believe they must achieve environmental objectives as well as profit related objectives. This results in environmental issues being integrated into the firm's corporate culture. Firms in this situation can take two perspectives;
 - They can use the fact that they are environmentally responsible as a marketing tool.
 - They can become responsible without promoting this fact.
- 3) **Governmental Pressure:** As with all marketing related activities, governments want to "protect" consumers and society; this protection has significant green marketing implications. Governmental regulations relating to environmental marketing are designed to protect consumers in several ways:
 - Reduce production of harmful goods or by-products;
 - Modify consumer and industry's use and/or consumption of harmful goods;
 - Ensure that all types of consumers have the ability to evaluate the environmental composition of goods.

Governments establish regulations designed to control the amount of hazardous wastes produced by firms. Many by-products of production are controlled through the issuing of various environmental licenses, thus modifying organizational behavior.
- 4) **Competitive Pressure:** Another major force in the environmental marketing area has been firms' desire to maintain their competitive position. In many cases firms observe competitors promoting their environmental behaviors and attempt to emulate this behavior. In some instances this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behavior. For example, it could be argued that Xerox's "Revive 100% Recycled paper" was introduced a few years ago in an attempt to address the introduction of recycled photocopier paper by other manufacturers.
- 5) **Cost or Profit Issues:** Firms may also use green marketing in an attempt to address cost or profit related issues. Disposing of environmentally harmful by-products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and in some cases difficult. Therefore, firms that can reduce harmful wastes may incur substantial cost savings. When attempting to minimize waste, firms are often forced to re-examine their production processes. In these cases they often develop more effective production processes that not only reduce waste, but reduce the need for some raw materials. This serves as a double cost savings, since both waste and raw material are reduced.

19.5.2 Problems Associated with Green Marketing

There may be a number of potential problems that a firm may face in case of adopting green marketing approach. One of the main problems is that firms using green marketing must ensure that their activities are not misleading to consumers or industry, and do not breach any of the regulations or laws dealing with environmental marketing

Another problem firms face is that those who modify their products due to increased consumer concern must contend with the fact that consumers' perceptions are sometimes not correct.

When firms attempt to become socially responsible, they may face the risk that the environmentally responsible action of today will be found to be harmful in the future. Given the limited scientific knowledge at any point in time, it may be impossible for a firm to be certain they have made the correct environmental decision.

While governmental regulation is designed to give consumers the opportunity to make better decisions or to motivate them to be more environmentally responsible, there is difficulty in establishing policies that will address all environmental issues.

The push to reduce costs or increase profits may not force firms to address the important issue of environmental degradation. End-of-pipe solutions may not actually reduce the waste but rather shift it around. While this may be beneficial, it does not necessarily address the larger environmental problem, though it may minimize its short term affects. Ultimately most waste produced will enter the waste stream, therefore to be environmentally responsible organizations should attempt to minimize their waste, rather than find "appropriate" uses for it.

19.6 SOCIAL MARKETING

Social Marketing is "the application of marketing technologies developed in the commercial sector to the solution of social problems where the bottom line is behaviour change." *It involves: "the analysis, planning, execution and evaluation of programs designed to influence the voluntary behaviour of target audiences to improve their personal welfare and that of society."*

This definition highlights the fact that social marketers differ from other marketers in that they take a prescriptive, focused ethical stance toward what the outcomes of their efforts should be. Social marketers constrain themselves to trying to influence behaviours that contribute to individual and collective welfare. Specification of what constitutes that individual and collective welfare is usually derived from the professional standards and norms of the arena of impact.

The concept of social marketing emerged in the 1970s, when Philip Kotler and Gerald Zaltman realized that the same marketing principles that were being used to sell products to consumers could be used to "sell" ideas, attitudes and behaviors. Kotler and Andreasen defined social marketing as "differing from other areas of marketing only with respect to the objectives of the marketer and his or her organization. Social marketing seeks to influence social behaviors not to benefit the marketer, but to benefit the target audience and the general society." This technique has been used extensively in international health programs, especially for contraceptives and oral rehydration therapy (ORT), and is being used with increasing frequency in many countries of the world including India for such diverse topics as drug abuse, heart disease, equality of female child, prohibition of liquor, national integration, planned small families and organ donation. The key to a successful social marketing campaign is learning.

The following 4Ps of Marketing are equally relevant in Social Marketing also:

- 1) **Product:** The social marketing “product” is not necessarily a physical offering. A continuum of products exist, ranging from tangible, physical products, to services, practices and finally, more intangible ideas. In order to have a viable product, people must first perceive that they have a genuine problem, and that the product offering is a good solution for that problem. The role of research here is to discover the consumers’ perceptions of the problem and the product, and to determine how important they feel it is to take action against the problem.
- 2) **Price:** “Price” refers to what the consumers must do in order to obtain the social marketing product. This cost may be monetary, or it may instead require the consumer to give up intangibles, such as time or effort, or to risk embarrassment and disapproval. If the costs outweigh the benefits for an individual, the perceived value of the offering will be low and it will be unlikely to be adopted. However, if the benefits are perceived as greater than their costs, chances of trial and adoption of the product is much greater.
- 3) **Place:** “Place” describes the way that the product reaches the consumers. For a tangible product, this refers to the distribution system—including the warehouse, transport, sales force, retail outlets where it is sold, or places where it is given out for free. For an intangible product, place is less clear-cut, but refers to decisions about the channels through which consumers are reached with information or training. This may include doctors’ clinics, shopping malls, mass media vehicles or in-home demonstrations. Another element of place is deciding how to ensure accessibility of the offering and quality of the service delivery. By determining the activities and habits of the target audience, as well as their experience and satisfaction with the existing delivery system, researchers can pinpoint the most ideal means of distribution for the offering.
- 4) **Promotion:** Finally, the 4th “P” is promotion. Because of its visibility, this element is often mistakenly thought of as comprising the whole of social marketing. Promotion consists of the integrated use of advertising, public relations, promotions, media advocacy, personal selling and entertainment vehicles. The focus is on creating and sustaining demand for the product. Research is crucial to determine the most effective and efficient vehicles to reach the target audience and increase demand. The primary research findings themselves can also be used to gain publicity for the program at media events and in news stories.

Additional 3Ps of Social Marketing are the following:

- 5) **Publics:** Social marketers often have many different audiences that their program has to address in order to be successful. “Publics” refers to both the external and internal groups involved in the program. External publics include the target audience, secondary audiences, policymakers and gatekeepers, while the internal publics are those who are involved in some way with either approval or implementation of the program.
- 6) **Partnership:** Social issues are often so complex that one agency can’t make a dent by itself. There is a need to team up with other organizations in the community to really be effective. You need to figure out which organizations have similar goals to yours (not necessarily the same goals) and identify ways you can work together.
- 7) **Policy:** Social marketing programs can do well in motivating individual behavior change, but that is difficult to sustain unless the environment they’re in supports that change for the long run. Often, policy change is needed, and media advocacy programs can be an effective complement to a social marketing program.

19.7 RURAL MARKETING

19.7.1 Importance of Rural Marketing

The underlying reasons for undertaking specific efforts to understand marketing practices and to evolve a suitable framework for developing appropriate marketing strategy for the rural India have their basis in two major developments. The first is that on account of rising purchasing power in the rural India, corporate sector is discovering the huge potential that must be realized by focusing marketing efforts in the rural segment. The second reason is that rural markets and the rural consumers are different enough to demand differential marketing effort and it is important for you to be able to understand these differences as well as the marketing implications that flow from them. The infrastructure and the marketing institution that characterise the rural markets are very different from the urban setting which the marketers are used to. There is therefore an immense opportunity for the marketer to create innovative and creative solutions to tap the rural potential.

The other reason for studying rural marketing as a specific course emanates from the knowledge that the rural consumer on account of his socio-economic and lifestyle profile presents a differential challenge to the marketer. The reference points used by the rural consumer are different from those used by his urban counterparts. Ability of rural consumer to discriminate between alternatives may be different and his value assignment behaviour has been shown to be different. We today do not really have an adequate body of knowledge to understand all aspects of rural buying behaviour, and application of appropriately modified research methods has only recently started being made.

Another development which has focused marketer attention now on to the rural markets is that slowly but surely the infrastructural scenario in the rural India is changing. A look at the successive plan outlays will demonstrate the attention that the policy makers are now directing at Rural Development. The plan outlays have progressively escalated from Rs. 14,000 crores in the Seventh Plan to a mammoth 90,000 crores in the Tenth Plan. This resource allocation is expected to be invested in the road network, communication linkages, power, health and educational services, making incremental changes to the rural lifestyles. Added to all this, has been the growth in institutional credit for agriculture in rural India, a sector typically dependent on unorganized credit services. There was a 250% increase in institutional credit for agriculture between 1995 and 2000, and a total of 24 million kisan credit cards have been issued since the inception of the scheme in 1998.

Let us look at some interesting facts about the rural India which were presented as part of the background paper at the FICCI Conference Rural Marketing and Communication on 24th April 2003, by Pradeep Kashyap, President, Marketing and Research Team, New Delhi. Consider the following:

- The number of transient rural supermarkets in India (haats) is around 470,000, which is more than the total number of retail chain outlets in the US (35,000).
- The Life Insurance Corporation of India in the year 2001-02, sold 55% of its policies in rural India.
- The 24 million kisan credit cards issued in the rural sector far outstrip the 17.7 million credit+debit cards issued in the urban sector. The amount of money sanctioned under the KCC scheme is a phenomenal Rs. 52,000 crores.
- The consumption of electricity by the agriculture sector went up from 17.6% of the total consumption in 1980-81 to 29.2% in 1991-2000. During the same period the industry share has dropped from 58.4% to 34.8%.

These indicators show a definite trend towards growth of markets, and indicate towards the potential of rural India.

19.7.2 Nature of Transactions in Rural Marketing

The rural market may mean many things to many people. For quite sometime, rural markets were synonymous with agricultural marketing or agriculture input marketing. If you try to visualize the diversity of transactions that fall under the definition of marketing or related activities, you would be able to identify a number of classes of transactions. To name some.

- Rural markets involve transactions of agriculture produce and agribusiness products including dairy products, produced in the rural areas but sold all over, including rural and urban markets.
- Rural markets involve transactions in non-agricultural products, made in villages but sold in primarily urban locations. Handspun cloth, handblock printed fabric, handicraft items, paintings and other local or heritage craft are included in this class of transactions.
- Rural markets involve goods and services produced and created in the villages and sold and consumed largely within the village as part of the sustained self sufficient rural economy. These include products like earthenware pots and pans, local carpentry and tailoring; services like hairdressing and transportation as well as local products produced and consumed locally.
- Rural markets also involve sale and consumption of goods made by organized industry, in both urban and rural sectors.

19.7.3 Marketing Challenges in Rural Marketing

That rural markets for a large number of FMCGs and some consumer durables, represent the new land of opportunity cannot be denied. Yet our lack of complete understanding of the challenges presented by the rural market has acted as a barrier inhibiting quite a few companies from venturing into these terrains. Yet, the companies that have taken time and effort to understand the needs and aspirations of the rural markets have met with great success and some corporate giants like HLL and Colgate Palmolive show a large share of their market (52 and 47.% respectively) is now contributed by rural India.

Arvind Mills, finding that even the cheapest ready to wear jeans were outside the paying capacity of most rural youth, introduced their ready to stitch Ruf and Tuf jeans kit at Rs.195 against the ready to wear range of Rs. 250 to 300 at the lowest level. Like all efforts at market building, Arvind Mills had to take specific initiatives and make investment to create primary demand. Local retailers in locations with 5000+ population were stocked with the product, training was provided to village tailors and special accessories enabling them to stitch heavy duty denim were also supplied. Demand crossed a million kits in the first two months and a sales figure of five million kits was crossed in eighteen months. The issue here is one of patience, of identifying roadblocks and devising solution to overcome them.

Let us here take an overview of these challenges confronting a marketer as he approaches the rural markets.

- 1) **Getting to Know the Rural Consumer:** The marketers' (barring a few) understanding of the rural consumer is, for all intents and purposes, limited. Most of their experiences have been earned in urban contexts which, as you have seen are vastly removed from the rural ones. The economy, lifestyle, languages spoken, awareness levels regarding alternative choices, exposure to media, reference groups, family decision making, value perception, impact of culture

and social mores are all very different. To add to the complexity, the urban rural divide is not uniform, the differentials between urban and rural become pronounced as the remoteness from urban locations rises. Heterogeneity in dispersion of rural population and lifestyle across the country and between states add to the marketer's problems of appropriately segmenting the markets on a realistic assessment of buying motivations and buyer behaviour involved.

- 2) **Accessing the Rural Consumers - the Distribution Dynamics:** Distribution in rural India is considered a tough challenge to overcome, on account of 700 million + people spread in 600,000 + villages and that too unevenly. Less than half the villages are connected through motorable, all weather roads. The rural retail institutions are fairly widespread, though the product choices made available are few. Most marketers have reckoned, that for the FMCG sector direct supply to feeder towns (population 20,000+) would be quite adequate, as each of the distributors in turn, could service a supply network of more than a hundred outlets in about fifty locations which can then cover majority of villages with 2,000+ population. You must appreciate that while these villages (2,000+population) number only 85,000, they account for upto forty percent of population and account for above sixty percent of the total rural consumption. The problem of access is for reaching the balance 60% of the population adequately. Marketers also contend that the rural consumption is at a certain level today partly because access to desired products and services is low. Utilizing the traditional outlets of haats and melas effectively, finding customized local solutions, employing mobile vans for transportation cum sales purposes, are some answers that marketers have chosen to employ.
- 3) **Product and Pricing Choices:** The rural consumer is an astute consumer and a discerning buyer, partly because of the various demands on a limited discretionary income. Marketers therefore need to understand that their product mixes for the rural marketers would need to be judiciously planned in views of the rural reality.

Smaller packs and stocking units have been imaginatively used by some markets. Packaging has to be responsive to the rural preference for colour and size while branding needs to be strongly associative. The plight of the marketer is compounded by the blitz of spurious brands that flood the rural market in the FMCG sector, taking advantage of the lack of exposure of rural consumers. Product and brand recognition therefore, become a critical challenge. Marketers also recognize that a majority of branded products are facing an introduction and early growth stage of PLC in the rural market so their product strategies in comparison to the urban efforts would need to vary..

Pricing in the rural market has now successfully overcome the myth that only cheaper, stripped down variants will sell well in these markets. Rural consumers certainly, like their urban counterparts, want value for money but may not have buying capacity to buy larger units at a given purchase occasion. Adaptation of pricing strategy, promotional pricing and price bundling are some of the ways marketers have applied to their advantage.

- 4) **Promotion in Rural India:** Electronic media covers only 29% households in this segment, making the most used media vehicles (print and audiovisual) have a limited application as promotional media. The villagers' sources of information about products and brands are limited, key influences are exerted by word of mouth, opinion leaders and existing users. The limited information sources inhibit the rural confidence in buying new products and marketers have a key challenge in building up trust and reassurance. In order to communicate effectively in rural markets, marketers would need to have a clear understanding of rural aspirations, fears, perceptions and role models. Traditional institution of haats

and melas have not been adequately utilized by markets but their potential as platforms for promotions is being fast realized.

Check Your Progress B

- 1) Differentiate between social marketing and green marketing.

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- 2) List out the challenges faced by marketers in rural marketing in India.

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- 3) State the 7 Ps of social marketing.

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- 4) What is Internet marketing?

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19.8 LET US SUM UP

This Unit discussed a wide range of emerging concepts like Relationship Marketing, Internet Marketing, Social Marketing, Green Marketing, Rural Marketing, etc.

Relationship marketing builds strong economic, technical and social ties among the stakeholders. It cuts down on transaction costs and time. In most successful cases, transactions move from being negotiated each time to being a matter of routine. The ultimate outcome of relationship marketing is the building of a unique company asset called a *marketing network*, which consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, retailers, ad agencies, and others) with whom it has built mutually profitable business relationships. Increasingly, the competition is not between companies but between marketing networks. The cardinal principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.

Marketing theory and practice was developed initially for marketing physical products such as soaps, cars, and other tangible products. However, in the recent years there has been a phenomenal growth of services. This trend we find world wide. More than 50% Gross Domestic Product (GDP) is being generated by services and more than 70% employment in services. More and more tangible or physical products now contain a service component, both to meet the needs of the targeted customer segment and to create a distinctive differentiation for competitive reasons. Many manufactured goods are supported by services such as warranties or guarantees.

There are a large number of companies who are mainly in the service business. Besides the traditional 4Ps (Product, Price, Promotion and Physical distribution),

additional 3Ps are relevant in marketing of services. These additional 3 Ps are:

(i) Physical evidence, (ii) Processes and (iii) People.

The Internet is a worldwide means of exchanging information and communicating through a series of interconnected computers. Started as a U.S Defense Department project, the Internet, or information superhighway is now accessible to anyone with a computer and a modem. While the Internet offers a variety of services to users, the most powerful and popular is the World Wide Web (WWW), commonly referred to as the Web. In fact, many use the terms Internet and World Wide Web synonymously. For marketers, a number of Internet features offer potential, but it is the Web that has developed as the commercial component.

Green Marketing or Environmental Marketing or Ecological Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. That is where green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants. There are several reasons for the popularity of green marketing such as better market opportunities, social responsibility, government pressure, competitive pressure, cost or profit issues, etc.

Social marketing is the application of marketing technologies developed in the commercial sector to the solution of social problems where the bottom line is behaviour change. It involves the analysis, planning, execution and evaluation of programmes designed to influence the voluntary behaviour of target audiences to improve their personal welfare and that of society. Along with the traditional 4 Ps of marketing (i.e., Product, Price, Promotion and Physical distribution), marketing mix for social marketing comprises of additional 3 Ps viz., Publics, Partnership and Policy.

In India, 70% of population live in rural areas. There is a huge rural market in India, which is distinctively different from urban markets. For marketing of goods and services to rural markets, differential marketing efforts are required. Most of the FMCGs and large number of consumer durable companies realised the potential demand in rural markets, and designing specific marketing efforts to tap the rural demand.

19.9 KEY WORDS

Green Marketing: This is also referred to as Environmental Marketing or Ecological Marketing. Green Marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants, such that the satisfaction of those needs and wants occur with minimal detrimental impact on the natural environment.

Relationship Marketing: The process of creating, maintaining and enhancing strong value laden relationships with customers and other stakeholders.

Services: Intangible and separately identifiable activities which provide satisfaction, and which are not necessarily tied to the sale of a product or another service.

Social Marketing: Designing, implementing and controlling of programmes seeking to increase the acceptability of a social idea, cause or practice among a target group.

19.10 ANSWERS TO CHECK YOUR PROGRESS

A 4 (i) False (ii) False (iii) True (iv) True (v) False

19.11 TERMINAL QUESTIONS

- 1) Write short notes on the following:
 - a) Relationship marketing
 - b) Social marketing
 - c) Green marketing
- 2) What is a Service? In what respects it is different from a Product? Suggest some marketing strategies for service firms.
- 3) How marketing on Internet is different? State the advantages and limitations of marketing on Internet.
- 4) Differentiate between social marketing and consumer marketing. Explain the components of social marketing mix.
- 5) "Rural markets in India offer huge opportunities and throw challenges to marketers". Discuss.
- 6) Explain the concept of relationship marketing. Explain the main elements of relationship marketing.
- 7) Differentiate between green marketing and social marketing. Explain various problems associated with green marketing.