CHAPTER - I

Introduction And Background

❖ Marketing- Paradigm Shift.
❖ Research Problem Definition and Justification.
❖ Scope and Limitations of the Study.
❖ Review of Literature.
❖ Chapter Scheme.
CHAPTER - I

Introduction and Background

1.1 Marketing - Paradigm Shift in 21st Century.

Never in the evolutionary continuum man was completely self sufficient. In the process of satisfying his needs and wants it was necessary for him to be dependent upon others around him.

As the needs and the wants became numerous and complex with the passage of time, his dependence on the others became more acute.

Even at the community and group settings there could not be a status of total self reliance for an extended period of time. No village and town remained isolated from the rest of the world for longer time.

As a consequence of this reality, man in his individual capacity and in group settings as well, started indulging in ‘exchange’. Thus he could get what he wanted by offering to some one some thing which was needed by that party.

This concept of ‘exchange’ is the foundation on which the modern concept of Marketing rests.
This Exchange took the form of 'barter' in agrarian economies, then graduated itself in to modern 'Marketing' of industrial and post industrial societies, where in the medium of exchange became- Money, the Negotiable Instruments and 'Cyber Cash'.

Marketing as a concept is the culmination of evolutionary process at this point of time. Various phases through which it got evolved itself can be identified as Production concept, Product concept, Selling concept, Marketing concept and Societal marketing concept.

This evolutionary trend was the consequence of Socio-economic and technological changes in the macro environment, where in the business entities tried to reorient their philosophical framework while doing their business in general and while dealing with the customers in particular.
In these evolutionary phases we find that there is a distinct shift in emphasis from 'Cost Reduction' to 'Distribution enlargement' to 'Product enrichment' to 'Seller Needs fulfillment' to the 'Customer needs identification and satisfaction' and ultimately 'Balancing societal well being with attainment of organizational objectives and customer satisfaction.'

Over a period of time, there also emerged specialized literature based on the type of customers' category.

i) Consumer Marketing
ii) Industrial Marketing
iii) Govt./Non Profit marketing
iv) International Marketing
**Industrial Marketing**: For those markets comprising of customers who buy for converting what they buy in to finished products to market again, while *Consumer Marketing* is associated with those customers who buy for their own consumption.

The greatest challenge before any business entity of any size indulging in any activity is how to be in touch with the customers' changing expectations.

Gone are the days when the pace of change in the market place was so very slow that marketer could enjoy a prolonged period of stability. With customers as 'constant' optimizing the other variables was the only (modest) challenge in such a scenario.

Excessively demanding set of customers, super sonic speed with which the technology is changing and making the products obsolete, cut throat competition, shortened span of PLC are the realities of modern market place.

Conventional wisdom and passive business plans are not adequate for the businesses of today to cope up with this situation.
Hence there is a need for new research which will shed the light on new realities of the market place, challenges there in and the strategies necessary for succeeding.

1.2 Research Problem Definition and Justification

1.2 a) The growing potentials of SSI markets:

It was in early 50's that small-scale sector made a very modest beginning in India. It has now grown in to prominence and is making multifaceted contribution. In the national agenda of Industrial policy it occupies a very significant position.

Small Industry is making in roads in to the product / service categories and geographical regions which were not touched upon so far.

The following tables indicate the importance of that the Small Scale Sector has achieved over a period of time.
Table 1.1 SSI Growth

<table>
<thead>
<tr>
<th>Average G.R.</th>
<th>Growth No. of Units</th>
<th>Rate (GR) Production</th>
<th>In SSI Export</th>
<th>Sector Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-90</td>
<td>7.98</td>
<td>13.79</td>
<td>17.29</td>
<td>6.04</td>
</tr>
<tr>
<td>1990-92</td>
<td>6.87</td>
<td>3.66</td>
<td>20.47</td>
<td>4.18</td>
</tr>
<tr>
<td>1985-95</td>
<td>7.46</td>
<td>9.91</td>
<td>17.90</td>
<td>5.18</td>
</tr>
<tr>
<td>Compound G.R. 1985-02</td>
<td>7.42</td>
<td>9.82</td>
<td>17.50</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Note: Growth rates of production and exports are at constant prices.

Table 1.2 Outlay for SSIs

<table>
<thead>
<tr>
<th>Plan</th>
<th>Period</th>
<th>Small Scale Industries (Including Industrial Estates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIXTH PLAN</td>
<td>1998-85</td>
<td>616.10</td>
</tr>
<tr>
<td>SEVENTH PLAN</td>
<td>1985-90</td>
<td>1120.50</td>
</tr>
<tr>
<td>ANNUAL PLAN</td>
<td>1990-91</td>
<td>392.13</td>
</tr>
<tr>
<td>ANNUAL PLAN</td>
<td>1991-92</td>
<td>482.86</td>
</tr>
<tr>
<td>EIGHTH PLAN</td>
<td>1992-97</td>
<td>2862.14</td>
</tr>
<tr>
<td>NINTH PLAN</td>
<td>1997-2002</td>
<td>3500.00</td>
</tr>
</tbody>
</table>

Source: DC (SSI) Nirman Bhanva, New Delhi.
As there is rise in prominence of SSI sector in the national economy, there is corresponding ascent in the technological and managerial competences associated with it as well.

Modern management tools and techniques like – MBO, JIT, BPR, ISO Certification, Kaizen etc. have become part of routine management of the SSI Units in a large number.

We also find that in order to be competitive the SSI Units are getting wedded to new technology and sophisticated gadgets of communication and office automation like : PCs, Fax, Laptop, Internet, Photo copiers and Cell phones.

1.2 b) The need for Research:

Realizing the market potential of this sector, various national and multinational brands of IT products and services are developing their marketing strategies aiming at SSI sector as their targets. The competitive marketing scenario makes it necessary for every player
in the IT market to design a superior marketing strategy so as to ensure survival and growth.

There is however a scarcity of research conducted on SSI sector with reference to marketing of high-tech products, especially with reference to Indian SSI Sector. That is reflected in the opinions of many scholars.

This study is aimed at developing a theoretical framework explaining the purchase behavior of SSI sector with specific reference to computer, and then to suggest the Marketing Strategies for superior marketing results there in.

The marketing of high-tech products is distinctly different in its nature in comparison with marketing of conventional products. It is the discontinuous innovational changes in the products that make the "Innovation Diffusion Model" proposed by Rogers not applicable here in the original format. The striking differences in the psychographic profiles between 'Innovators', 'Early adopters',
‘Early majority’, ‘Late majority’ and the ‘Laggards’ – influence the process of adoption and buying. By virtue of this fact it leads to the emergence of ‘Chasms’ - a gaps in the bell shaped curve proposed by Rogers.

How to cross this ‘chasm’ is the greatest challenge before the IT marketing fraternity. This study is an effort in identifying the strategies which will facilitate this crossing.

As marketing is seen as process of relationship building (Gronroos, 1994\(^1\), Sheth & Parvitiyar, 1995\(^2\)) this study is focused on both the buyers and sellers rather than on only one side, as some studies have done.

Galper (1979)\(^3\) writes that determining the mix of communication expenditure is subject of great interest to marketing

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practitioner, yet it has received only limited attention from academic researchers.

Moriartly and Speakman (1984) say that relatively few studies have examined the personal and commercial sources of information, and that the findings of few studies that do exist are less than conclusive.

Bunn and Cloption (1993) state that, "Research on particular Combination of information sources buyers tend to use in given situation, or how the mix of information sources used" differs across purchase situation, they go on to add that "there has been relatively little efforts to develop typology of the actual information source mixes industrial customers use, or to identity characteristics of purchase situations that affect how information sources are used in combination".

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Berthon, Pitt and Watson (1996)\textsuperscript{5} state that, while most advertising academics and practitioners might be starting to think about and even acknowledge the importance of Web site as marketing communication tool, to date, little systematic research has been conducted into nature and effectiveness of the medium.

Person (1995) provides two main concepts for research in this area.

\begin{itemize}
  \item[a.] Industrial Selling (and buying) Process.
  \item[b.] Industrial Selling (and buying) actors.
\end{itemize}

Backhaus and Koch (1985)\textsuperscript{6} Support this as they found that the Industrial Selling/Buying processes and industrial Selling/Buying centers are the key concepts in industrial Buying/Selling.

\begin{flushleft}
\end{flushleft}
1.2 c) Holistic Approach:

The elements of Marketing Mix are the Controllable variables in the hands of the marketer. These variables – Product, Price, Place and Promotion act as the Stimuli for the Buyer to respond. The response in turn depends upon the Behavioral makeup of the customers. And hence, while designing the marketers Strategy which will be effective, behavioral dimensions of buyers and nature buying process are taken in to account.

In addition to this, the profile of the decision makers (Buyers and Sellers) the features of their organizations, nature of buying situation and stages in the buying process are the critical elements. All these determine the nature of the strategy, hence are taken in to account, so as to make Study holistic.

The approach is in line with the Research finding of scholars.

The Study aims of answering questions:
i) What is the buying process that takes place while purchasing Computers by SSI Units?

ii) What is the profile of Marketers of Computers and the Strategies they use?

iii) What is the profile of buyers of Computers from SSI Sector and Strategies they use while buying?

iv) What can be an effective strategy for marketing Computers in SSI Units?

On the basis of answers to above questions, certain theoretical principles will be evolved so as to formulate strategies.

1.3 Scope and Limitation of Study

a) Scope:

The present Study aims at evolving the theoretical base for formulating effective Strategies for marketing Computers in Small Scale Sector.
The Study strives to achieve this by focusing the attention on three critical elements:

i) Buyer Behavior and Buying Process.

ii) The Buyers of Computers from Udyam Bag Industrial Estate.

iii) Marketers/Dealer of Computer targeting at Udyambag Industrial Estate, Belgaum.

While studying Buyer Behavior and Buying Process, attention is restricted to -


ii) The role of different sources of information relied on, by the buyer.

iii) The various factors considered while buying the Computers.
While Studying about the profile of the buyers and sellers the aspects considered are-

i) Factual information on Buyers and Sellers of Computers.

ii) Strategies adopted by the Buyers/Sellers while Buying/Selling Computers.

The Scope of the Study in restricted to marketing function.

b) Limitation of Study:

The Research Study is based on the information furnished by the respondents. Some of the respondents were reluctant to reveal the facts, however agreed to give the information on the assurance of maintaining confidentiality.

Secondly, the Study encompasses the Dealers operating at Belgaum, who have control on only ‘Promotion’ and ‘Place’ element
of Marketing Mix Strategy. The ‘Product’ and ‘Price’ elements are largely controlled by the principal Companies they represent.

1.4 Review of Literature


1) Gronroos (1994), state that any study in industrial marketing has to take into account the paradigm shift as we are in 21st century. In other words “Relationship Marketing will be the name of the game in future – both in Industrial and Consumer Marketing arenas”.

2) Blois (1996), in asking what relationship is, offered what Fummenson (1994) provided as definition: That the perception of relationship marketing varies between authors and that there seems to be little agreement on what can be defined as “Relationship

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Marketing" Gummesson adds that most definitions emphasize ‘Longer – Term’ or ‘Lasting’ relationship, but sometimes these definitions appear to be more the aim of establishing a relationship while in others they are portrayed as the result’.

3) Webster and Wind (1972 b)\(^9\) of whose general models of buying behavior, refer to marketing Communication, or information sources respectively as the basis of interaction between buyer and sellers.

4) Gronroos (1994)\(^10\) Speaks of old “Marketing Mix (4ps) paradigm” as having dominated marketing thought since first introduced in 1950s. He adds, “New approaches have been emerging in marketing research, a major shift in fundamentals of marketing is taking place, this is described as ‘paradigm shift’.

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5) Sheth and Parvatiyar (1995)\textsuperscript{11} state that the emergence of relationship marketing school of thought is imminent given the growing interest of marketing scholars in relationship paradigm”.

Hakansson, (1982)\textsuperscript{12} State that many industrial buyers and sellers develop longer-term contracts for suppliers and services, creating ongoing interactive relationships between each other.

II Strategy

6) Russel Abratt (1986)\textsuperscript{13} while evaluating the criteria used by industrial buyer says that quality and consistency of products, certainty of delivery service and technical support are often the most important criteria.


7) Fredericks E Webster (1979)\textsuperscript{14} While stating the importance of sellers’ role in buyers’ over all business activities says that “Given the nature and purpose of industrial products, to be part of customers product or organizational process, a Seller literally becomes part of buyer technology, productivity, and and profit plan – in short total Corporate Strategy”

8) Geerge Risley (1972)\textsuperscript{15} while giving this importance of classifying Industrial Product say Although Solutions to industrial customers problems go far beyond a preliminary identification of which product belong under which classification, classifying industrial goods gives the industrial marketer a better indication of the scope of the market, who is involved in the purchased process and what marketing fact or affect the buying decisions.

\textsuperscript{14} Fredrick E Webster, Jr. \textit{Industrial Marketing Strategy} (New York : Jonn Wiley & Sons, Inc. (1979) pp 15-16
9) Philip Kotler (1984)\textsuperscript{16} on marketing says that the traditional view of marketing has been one of achieving organizational goals through satisfying the needs of identified markets by adapting the organization to deliver the desired satisfaction more effectively and efficiently than competitors.

10) Carl.P. Zeithaml and Valarie A. Zeithaml (1984)\textsuperscript{17} say that Marketing Strategies are to be viewed as set of adaptive responses.

11) Dominick B. Attanasio (1988)\textsuperscript{18} emphasizing on importance of market intelligence says gathering information on competitors will become increasingly important in the development of business strategy.

12) Kotler (1984),¹⁹ while talking about changed perceptive of marketing says, “Manipulation of marketing mix variables is not enough to ensue success and survival in such a dynamic environment”.

13) Naumann, Lincoln, and McWilliams,²⁰ say that marketing strategy must begin with identifying the type of buying situation the purchasing firm is facing.

14) William D Perreault, Jr., and Frederick A. Russ, (1976)²¹ described the importance of assured supply by stating that physical distribution services rank second to product quality in influencing purchasing decisions.

²⁰ Naumann, Lincoln, and McWilliams, “The purchase of Components: Functional Areas of Influence,” pp. 113-122
²¹ William D Perreault, Jr., and Frederick A. Russ, “Physical Distribution Services in Industrial Purchasing Decisions,” *Journal of Marketing* 40 (April 1976), pp. 3-10
15) Earl Naumann, Douglass J. Lincoln, and Robert D. McWilliams, suggest that for marketing strategy to be successful the industrial marketer must have a clear understanding of how organizational groups interact, the amount of influence the various group members may possess and how this influence varies through out purchasing process.

16) Theodore Levitt (1983) points out that buyers no longer seek to purchases a product for its own value, rather they prefer to buy package of inter related products.

III. Industrial Sales Process.

17) Persoon (1995) found that the traditional way of industrial selling was to identify prospects, make persuasive

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presentations and close the deal. In his work, two primary research questions revolve around two main subjects. The Sales process and Internal Selling actors – what he refers to as ‘Sales actors team’

18) Weitz (1978)\textsuperscript{25} offers a Sales process model that involves five primary Stages.

19) On selling side, the strategic need to supply of the relevant stimuli by industrial sellers is well established in early marketing literature, where such concepts as Marketing Mix or ‘4 Ps’ form the part of Strategy.

IV. Selling Center

20) Deeter – Schmelz, et al. (1995)\textsuperscript{26} state that a big reason research on selling side has received so little attention is because


“Sales has traditionally focused on the lone sales person transaction-based environment”

21) Hudson (1971)\(^{27}\) introduced what he referred to as “Salesman suitable for use in Industrial Calling”

i) Industrial Sales people.
ii) Specialty Salesman
iii) Technical representation.
iv) Services Sales people
v) Sales Engineering.

22) Moncrief (1986)\(^{28}\) suggest four types of industrial Sales people each categorized by the type of primary responsibility they had.

i) Trade Sellers.


iii) Missionary Sellers.

iv) New business Sellers

v) Technical Sellers.

23) Moon and Armstrong (1994)²⁹ compare Selling team with more traditional Selling Center. While the term ‘Selling Team’ is used more in practitioner literature, the term Selling Center is considered to be a logical extension of the buying center idea originally conceived by Robionson, Faris and Wind (1967)

24) Deeter Schelz and Ramsey (1995)³⁰ state that Selling team is broken down in to two main groups – The Core Selling Team and Extended Selling Team.


25) Naumann, Lincoln and Mc Williams,\textsuperscript{31} Say that middle and upper management, engineering and R&D Departments are the likely spots to find the deciders and major influences in problem recognition and solution choice phase.

26) R.D. Buzzell and others, (1972)\textsuperscript{32} on Buying Centers "A decision making unit may consist of only one person, but it is normally a group of individuals who share common goal or goals which the decision will hopefully help them to achieve, and who share the risk arises from the decision."

27) Murray Harding (1966)\textsuperscript{33} on decision makers involving in buying situation says that, since buyers have differing levels of experience and use different problem solving approaches in various situations, role influence vary at the different phases of purchasing

\textsuperscript{31} Naumann, Lincoln and Mc Williams," The Purchase of Components: Functional Areas of Influence," pp. 113-122.
\textsuperscript{33} Murry Harding, "Who Really Makes the Purchasing Decision?" \textit{Industrial Marketing} 51 (September 1966), p. 76.
process, depending on the number of individuals involved, the complexity of the purchase and functional lines involved.

28) Thomas V. Bonoma and Gerald Zaltman (1978)\textsuperscript{34} say that by being closest to the action, purchasing managers, or those persons involved in buying center, may act as gatekeepers and filter information reaching decision maker.

V Industrial Buying:

29) In Comprehensive Study on Industrial Marketing, Moriarty and Spekman (1984)\textsuperscript{35} found that Scholars, in general, have focused on four factors which have affected amount of information sought and sources used during the industrial procurement and adoption process:


Characteristics of individual decision makers.

Organizational characteristics.

Characteristics of buying situation.

Buying Phases.

30) Earl Naumann, Douglas J. Lincoln, and Robert D McWilliams, (1984)\textsuperscript{36} emphasize on need for understanding buying behavior by saying effective Industrial Marketing Strategy must begin with an understanding of Industrial buying behavior, this entails knowledge of different types of buying situations that organizations encounter, the process that organizational buyer go through in reaching purchasing decision, how those decisions are affected by members of the firm and criteria they apply in making purchasing decision.

31) Philip Kotler (1984) while discussing about objectives in organizational buying says that when pronounced differences exist in product service factors, industrial buyers are more accountable for their choices and tend to place more emphasis on economic factors.

32) Lowell F Crow and Jay D. Lindquist, discussing about the characteristics of the firm on buying state that finding from recent study indicate that two characteristics of the firm appear to have a strong influence on number of influences involved in purchasing decision, size the firm as determined by number of employees and firms orientation (e.g. Profit versus nonprofit)

33) Heinritz and Farrell, say that buyers evaluate supplying firms position in industry its progressiveness, its interest in the firms order and its co-operative attitude.

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39 Heinritz and Farrell, Purchasing Principals and Application, p. 222.
VI Industrial Buying Process:

34) This concept has also found a great deal of support in the literature are selling /Buying processes (Weitz, 1978;40 person, 1995,41 Wotruba 1996;42 Webster 1965,43 Robinson, Faris, & Wind (1967)44 Ozanne Chuchill, (1971)45 Bunn (1993)46 and Composition of the Selling and buying Centers (Backhaus & Koch, 1985;47 Persson, (1995); Mattson (1988),48 have received a great deal of attention of research Studies.

35) According to Johnston and Bonoma (1981)\(^49\) No two buying decisions in any given company are exactly alike nor will any two companies follow exactly the same procedures in even highly similar purchase situation.

36) Joseph A. Bellizzi and Philip McVey\(^50\) on Buy grid Model utility state that it enables the marketer to identify critical decision phases, the information needs of purchasing organization, and various criter buyers consider which marking purchase decision.

37) James R. McMillan\(^51\) while referring to the role of technical persons, say that in buying for highly technical products, the engineers and scientists have the greatest level of influence.

38) Frederick E. Webster, Jr., and Yoram Wind\(^52\) discussing about the role of interpersonal dynamics of Industrial Buying


Behavior state that purchasing decisions are influenced by organizational, group and individual forces as well as forces within external environment.

39) David T Wilson and H. Lee Mathews\textsuperscript{53} referring to MIS in purchasing say that although totally computerized handling of new task buying situation is unlikely in near future, computerized data analysis allows the purchasing manager to evaluate and negotiate with potential suppliers.

40) Michael H. Morris and Stanley M. Freedman, (1984)\textsuperscript{54} are of the view that whenever two or more individuals have to reach an agreement over issues such as product specification, vendor capabilities, multiple sourcing, contract terms or order routines, the potential for conflict exists.


41) Ralph L. Day, Ronald E. Michaels, and Barbara C, Purdue (1988)\textsuperscript{55} have suggested that individuals may resort to several types of conflict resolving strategies.

42) George Strauss, (1962)\textsuperscript{56} is of the view that use of power in resolving conflict is common in Industrial buying.

43) JRP French and B.H. Raven, (1959)\textsuperscript{57} have identified common basis of power (i) Reward (ii) Coercive (iii) Legitimate (iv) Referent (v) Expertise power.

44) Thomas\textsuperscript{58} is of the opinion that in the area of organizational buying behavior expert power has been found to be


\textsuperscript{58} Thomas, "Bases of Power in Organizational Buying Decisions," 209-217.

more important source of influence over other buying center members than legitimate power.

45) Stuart F. Heinritz and Paul V. Farrell, (1971)\(^5\) State that in repetitive purchasing situations, such as straight or modified rebuy, where buyer are formation with current suppliers and the purchases involves a standardinged product, it may be a simple matter of choosing a supplier from the list of sources already identified and evaluated.

VII Industrial Buying Centers:

46) The Buying Center has been seen as Communication network into itself (Pettigrew, 1975,76)\(^6\)

47) Johnston and Bonoma (1981)\(^6\) The Buying Center exist as Communication network that does not necessarily decide its

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configuration nor operation from formal organization, but rather from the regularized patterns of Communication that reflect the individuals involved and their relationship.

48) Talking about different roles in buying Center Bonoma (1982) who added sixth role to Webster and Wind’s (1972b) Study-

i) Initiator  ii) Users  iii) Deciders  iv) Influencers 
v) Buyers  vi) Gate keepers

49) Peter Doyle, Arch G Woodside, and Paul Mitchell, (1979) While talking about ‘Rebuy’ say that “As long as choice criteria is met, alternative solutions are seldom evaluated.”

50) Naumann, Lincoln and Mc Williams, on information needs and involvement while buying state that “Information needs,

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as well as individual involvement in the purchase decision, will also be affected by the phase of purchasing process.

51) Anderson, Chu, and Weitz, (1987)\textsuperscript{65} have found that when organizational buyers are focused on new tasks, they will be –

i) Uncertain about their needs and appropriateness of possible solutions.

ii) More concerned about finding good solution than getting low price or assured supply.

iii) More willing to entertain proposals from ‘Out’ suppliers and less welling from ‘In’ Suppliers.

iv) More influenced by Technical personnel.

v) Less influenced by purchasing agents.

\textsuperscript{64} Naumann, Lincoln and Mc Williams, “The Purchase of Components: Functional Areas of Influence,” pp. 113-122.

52) Melvin R Mattson (1988)\textsuperscript{66} the composition and varying influences within a buying center will change, depending on buying situation and phase in the purchasing decision process.

53) Kelly and Coaker,\textsuperscript{67} say that Industrial Marketers should not overestimate the importance of price, they should also know that low bidders often fail to meet other criteria of buyers.

54) Thomas V. Bonoma and Wesley J. Johnston,\textsuperscript{68} state that people join organization to accomplish personal objectives such as greater status, promotions, salary increase job security and social interaction.

55) Wesley J. Johnston and Thomas V. Bonoma, (1981)\textsuperscript{69} discussing about the Buying Center involvement and interaction patterns state that Industrial marketer must not only address the


\textsuperscript{67} Kelly and Coaker, “Can We Generalize About Choice Criteria,” pp. 330-333.


question of who participates in the decision process, they must also understand the involvement and interaction of organizational members the leadership patterns and formal and informal networks of communication centers members.

56) Thomas V. Bonoma, (1982)\textsuperscript{70} says that it is becoming increasingly important to understand and identify the source of power held or sought by key decision makers in customers firm.

\textbf{VIII Industrial Marketing communication:}

57) The marketing is the process of human interactions, the understanding of communication within marketing is offered by Turnbull (1974)\textsuperscript{71} as marketing communication process model.


58) More recently, Fill (1995),\textsuperscript{72} presents two tier linear model (based on the work of Schram, 1955 and Shannon & Weaver, 1962)

59) Turnbull (1974)\textsuperscript{73} stated that field research showed that expenditure on marketing communication then was very low, and that personal influence channels were predominate over other channels in industrial (raw material) industry.

60) Data was collected about the relative importance of the channels used by each company. First, information on the expenditure on each channel was computed. Then an attitude survey was carried out involving the rating of different channels. Results, presented via sample means for each marketing communication tool revealed the following expenditures, as a percentage of the


marketing communication budget, on various marketing communication tools (see Table 1.3)

**Table 1.3 Marketing communication**

<table>
<thead>
<tr>
<th>Expenditure by Sellers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct sales</td>
<td>67%</td>
</tr>
<tr>
<td>Quotations</td>
<td>23%</td>
</tr>
<tr>
<td>Impersonal channels</td>
<td>10%</td>
</tr>
</tbody>
</table>

SOURCES: Turnbull, 1974, p.301

As for the attitude survey, a five-point Likert scale was used while asking these sellers to rate various communication channels as sources of information from a list provided by the researchers. The data showed the overwhelming perceived importance of personal communications in industrial market. The final ranking of these marketing communication tools is presented below (see Table 1.4)
Table 1.4: Importance Ratings of Various Communication Tools

<table>
<thead>
<tr>
<th>Channel</th>
<th>Weighted Score</th>
<th>Weighted Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visit by customer to suppliers factory</td>
<td>34</td>
<td>1st</td>
</tr>
<tr>
<td>Customer contact with Supplier technical staff.</td>
<td>34</td>
<td>1st</td>
</tr>
<tr>
<td>Sales representation</td>
<td>33</td>
<td>3rd</td>
</tr>
<tr>
<td>Quotations</td>
<td>32</td>
<td>3rd</td>
</tr>
<tr>
<td>Customer contact with supplier executive staff.</td>
<td>29</td>
<td>5th</td>
</tr>
<tr>
<td>Sales catalogues, etc.</td>
<td>16</td>
<td>6th</td>
</tr>
<tr>
<td>Buyer contacts with colleagues in other companies, professional associations, etc.</td>
<td>14</td>
<td>7th</td>
</tr>
<tr>
<td>Trade directory advertising</td>
<td>10</td>
<td>8th</td>
</tr>
<tr>
<td>Promotional gifts, calendars, etc.</td>
<td>9</td>
<td>9th</td>
</tr>
<tr>
<td>Trade journal</td>
<td>7</td>
<td>10th</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>2</td>
<td>11th</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>-</td>
<td>12th</td>
</tr>
</tbody>
</table>

SOURCE: Turnbull, 1974, p.304

It should be noted that this order of importance existed with most of the firms in the study of interest from this study. Comparing what was spent on various communication tools versus what the attitudes of the sellers regarding the same tools were. Here, some interesting differences were presented (see Table 1.5)
Table 1.5: Comparison of Expenditure an Attitudinal Ranking of Impersonal Communication Channels

<table>
<thead>
<tr>
<th>Channel</th>
<th>Expenditure Rank</th>
<th>Attitude Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotional gifts</td>
<td>1st</td>
<td>9th</td>
</tr>
<tr>
<td>Trade journal advertising</td>
<td>2nd</td>
<td>10th</td>
</tr>
<tr>
<td>Sales catalogues, etc.</td>
<td>3rd</td>
<td>6th</td>
</tr>
<tr>
<td>Direct mail</td>
<td>5th</td>
<td>12th</td>
</tr>
<tr>
<td>Trade directory advertising</td>
<td>6th</td>
<td>8th</td>
</tr>
</tbody>
</table>

SOURCE: Turnbull, 1974,p.305

61) Turnbull (1974)\textsuperscript{74} found that personal communications were perceived to be of far greater importance to industrial sellers. However, as he pointed out, these rankings are as seen by the suppliers and not as by the customers. He then points to a study by Luffman (1973),\textsuperscript{75} carried out on buyers within the same industry. Luffman found that there were indeed differences in the views of the suppliers and the customers on the importance of the various marketing communication channels. Luffman added that it was also


worth noting that buyer preferences of information were found to vary according to the buying situation.

Table 1.6: Ranking of Promotional techniques

(in order of perceived effectiveness)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Promotional Technique</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sales calls on customers</td>
</tr>
<tr>
<td>2</td>
<td>Catalogues, manuals, specification sheets</td>
</tr>
<tr>
<td>3</td>
<td>Direct mail</td>
</tr>
<tr>
<td>4</td>
<td>Industrial advertising</td>
</tr>
<tr>
<td>5</td>
<td>Tradeshows and exhibitions</td>
</tr>
<tr>
<td>6</td>
<td>Samples, trial use, demonstrations</td>
</tr>
<tr>
<td>7</td>
<td>Publicity release and public relations</td>
</tr>
<tr>
<td>8</td>
<td>Customer entertainment</td>
</tr>
<tr>
<td>9</td>
<td>Promotional novelties</td>
</tr>
</tbody>
</table>

SOURCE: Banting and Blenkhorn, 1974, p.292

62) Galper (1979)\textsuperscript{76} continues in this line of research by stating industrial marketers, as with their counterparts in consumer product companies, also have available to them a number of means by which they are able to Communicate and sell to their present and potential customer. He includes in this list of ways to communicate

such tools as advertising, personal selling, publicity and public relation, sales promotions, trade shows, and catalogues. He qualifies this list with the comment that, traditionally speaking, industrial sellers have relied mostly on field sales and technical service personnel to present the company's message to the marketplace, with the other forms of communications playing only a secondary role. Some of his findings support earlier research. Advertising becomes less important (or personal selling more important) when complex products are involved and when there are increases in sales volume.

**IX Buying Information Sources:**

63) A Study by Jackson, Burdick and Keith (1985)\(^77\) provides an investigation of purchasing agents perceived importance of marketing mix components in various industrial purchasing situations. These scholars found that promotional efforts attempted

by industrial Sellers were significantly less important than other elements of Marketing Mix.

Due to the expensive nature in purchasing Capital equipment, as well as the obvious risk involved with such an investment, it is considered as important to gather more information before and during such purchases as supported by the researchers.

64) McQuinston (1989) found that as the importance (perceived impact on buying firm) to the purchasing organization rises more information is sought by members of decision-making unit.

65) Banting and Blenkhorn, (1974). In research conducted on the role of industrial trade shows for sellers, Bantig and Blenkhorn (1974) found a decreasing usage of this marketing communication tool. Through a ten-page questionnaire completed

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by 255 respondents in three different industrial trade shows, they obtained a ranking of nine marketing communication tools from exhibitors.

66) Ozanne and Churchill (1968), in presenting a model of the industrial adoption list the personal versus impersonal sources of information as follows (see table 1.7):

---

<table>
<thead>
<tr>
<th>PERSONAL SOURCES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Personal influence</td>
</tr>
<tr>
<td>a) Visit to machine user’s plant</td>
</tr>
<tr>
<td>b) Company associate</td>
</tr>
<tr>
<td>c) Business associate</td>
</tr>
<tr>
<td>d) Friend</td>
</tr>
<tr>
<td>2. Personal Selling</td>
</tr>
<tr>
<td>a) Salesman</td>
</tr>
<tr>
<td>b) Engineer</td>
</tr>
<tr>
<td>c) Distributor</td>
</tr>
<tr>
<td>d) Visit to suppliers plant</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMPERSONAL SOURCES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Advertising – Trade journal advertisement</td>
</tr>
<tr>
<td>4. Publicity</td>
</tr>
<tr>
<td>a) Magazine article</td>
</tr>
<tr>
<td>b) Newspaper article</td>
</tr>
<tr>
<td>5. Sales promotion (non-media advertising)</td>
</tr>
<tr>
<td>a) Product brochure</td>
</tr>
<tr>
<td>b) Product testimonial</td>
</tr>
<tr>
<td>c) Trade show exhibit</td>
</tr>
<tr>
<td>d) Demonstration</td>
</tr>
<tr>
<td>6. Technical sources price quotation and tooling proposal</td>
</tr>
<tr>
<td>7. Previous Experience</td>
</tr>
</tbody>
</table>

SOURCE: Ozanne and Churchhill, 1968, p.356

67) In their exploratory study of 40 firms that had recently purchased a piece of capital equipment, semi-structured depth interviews were used to obtain data from a total of 90 decision...
makers within the firms. In limiting their research to the first three stages of the industrial adoption process, they found some interesting result with regards to the information sources used in each of these three stages. As with so many other studies, personal selling was the most frequently mentioned personal sources of information in all the stages (see Table 1.8)

<table>
<thead>
<tr>
<th>Information Sources</th>
<th>Awareness</th>
<th>Interest</th>
<th>Evaluation</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal influence</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Personal selling</td>
<td>20</td>
<td>33</td>
<td>12</td>
<td>65</td>
</tr>
<tr>
<td>Advertising</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Publicity</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sales promotion</td>
<td>9</td>
<td>3</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Technical Sources</td>
<td>0</td>
<td>2</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>Experience</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>37a</td>
<td>40</td>
<td>40</td>
<td>117</td>
</tr>
</tbody>
</table>

Sources: Ozanne and Churchill, 1968, p.356

37a = some could not recall what sources they used in early stage, therefore the total number is less.
68) In data collected from each participant in the study, Ozanne, et al. went on to find that the most important information source by stage according to these individuals (see Table 1.9):

Table 1.9 Most Important Information Source versus Stages

<table>
<thead>
<tr>
<th>Stage/Source</th>
<th>Personal</th>
<th>Impersonal</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>20</td>
<td>17</td>
<td>37</td>
</tr>
<tr>
<td>Interest</td>
<td>34</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Evaluation</td>
<td>16</td>
<td>24</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>47</td>
<td>117</td>
</tr>
</tbody>
</table>

Sources: Ozanne and Churchill, 1968, p.357

Additionally, they also provided data on the probability that a certain information source would show up in a particular stage of the process (see Table 1.10):

Table 1.10: Probability that a Certain Information Source will be Used in a Certain Stages

<table>
<thead>
<tr>
<th>Stage/Source</th>
<th>Personal</th>
<th>Impersonal</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>.541</td>
<td>.459</td>
<td>1.000</td>
</tr>
<tr>
<td>Interest</td>
<td>.850</td>
<td>.150</td>
<td>1.000</td>
</tr>
<tr>
<td>Evaluation</td>
<td>.400</td>
<td>.600</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Here we can see that in the awareness stages, personal sources of information were likely to be used to obtain information than were impersonal sources. This continued in the interest stages, where personal sources outweighed impersonal by a nearly 6:1 margin in terms probability of being used by buyers to obtain information. Finally, in the evaluation stage, Ozanne, et al., found that impersonal sources became more probable than personal.

With this information, we can see that their hypothesis that information sources become increasingly personal as the adoption stages move along is not necessarily true. In conclusion, the authors state that the insights, as provided in the data above, can be used to evaluate the promotional efforts of the supplier. These messages may help to determine whether the messages, the media, as well as the timing of the persuasive communications are suitable.

69) In early 70, some researchers began to study more about Informal Communication (i.e. word of month Communication) that
exists within Industrial market. Webster (1970) found that this informal, noncommercial form of communication has influence. "Because purchase decisions involve uncertainty and risk, buyers seek information which help to assess the consequences of alternative purchases".

70) Martilla (1971), in Studying word of Mouth Communication in Industrial Adoption Process, stated that the rising cost of personal selling, industrial marketers are reluctant to place greater emphasis on advertising and other impersonal forms of communication: He went on to add that, in his study of 106 industrial firms it was discovered that while impersonal sources of information are important in early stages of adoption process, personal sources become more important in later stages.

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This contradicts the findings of Ozanne and Charehill (1968). This only goes to show that there is a variation with reference to industry.

71) Gapler (1979) provided following ranking in descending order -

- Mass communication is more important in the early stages of the buying process – especially in the Awareness stage.
- Personal communication becomes increasingly important as the buying organization moves from Awareness to Adoption.
- There are two main dimensions to personal communication: formal and informal.
- As the process moves forward, the buying organization shifts from external sources to internal, informal sources of information.

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• Opinion leaders play an important role in the organization as informal sources of communication (i.e. word-of-mouth)

• Opinion leaders tend to have more exposure to external channels of communication, especially trade journals.

• Opinion leaders have greater interaction with other professionals outside the firm in both information seeking and advice-giving roles (compared to non-leaders)

What these studies suggest is the importance of using different (and correct) information sources at different stages of the buying process. The overall conclusion of Galper's work is that new or complex purchases, where extensive information is sought, personal sources of information (salesman, other buyers/sellers, company personnel) are important throughout the buying process.

Impersonal sources (i.e. catalogues, brochures, trade advertising, etc.) play a significant role in the early steps of the
process, but lessen in importance as the decision-making reaches a conclusion.

72) Baker and Parkinson (1977)\textsuperscript{85} looked at information sources as used by three different groups (what he refers to as adopter categories); early, middle, and late. The only significant finding by these researchers was that early adopters felt that members of their own firm to be a more valuable source of information than the other two categories of adopters.

73) In a study (Parasuraman, 1981)\textsuperscript{86} of 267 industrial buying firms in the U.S., a number of different buying team members returned questionnaires measuring the following:

1. "To what extent are industrial purchasing decisions influenced by various promotional tools and organizational tools and organizational departments?

2. What do purchasing professionals perceived to be the relative impact of such promotional and organizational factors?

3. Which one of the various departments within a firm has the most impact on decisions made by the purchasing department?

4. Is the nature of interdepartmental influence on purchasing related to any characteristics of the firms?"

The roles within all of the firms that data was obtained from represented the following job titles of the buying firms: President (5%) Vice President or Director of Purchases (32%), Materials or Purchasing Manager (18%), Purchasing agent (25%), Buyer (8%), and other titles (12%). The survey respondents described above stated that they were influenced by the following two set of factors.
1. "Promotional factors" – personal selling print advertisements, direct mail promotions and trade shows.

2. "Organizational actors" - specifications laid down on purchase requisitions (a measure of the influence of the other departments within the buying firm), and recommendations of purchasing professionals in other organizations (i.e. word-of-mouth communication).

According to the results (see table 1.11), the most dominant influence on purchasing comes from the other departments within the firm itself.
Table 1.11: Determinants of Purchasing Decisions

<table>
<thead>
<tr>
<th>Factors influencing product purchasing decision</th>
<th>Mean Influence Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specification laid down in purchase requisitions</td>
<td>3.84</td>
</tr>
<tr>
<td>Sales calls made by suppliers' salesmen</td>
<td>3.10</td>
</tr>
<tr>
<td>Recommendations made by purchasing colleagues in other organizations</td>
<td>3.04</td>
</tr>
<tr>
<td>Trade show displays where supplier's products are displayed</td>
<td>2.47</td>
</tr>
<tr>
<td>Promotional materials mailed by suppliers</td>
<td>2.20</td>
</tr>
<tr>
<td>Suppliers' advertisements in trade journals/magazines</td>
<td>2.10</td>
</tr>
</tbody>
</table>


1.5 Chapter Scheme

The thesis is organized in six Chapters in a logical sequence.

The First Chapter is introductory in nature and gives the details on 21st Century Marketing Paradigm. It also gives the role of SSI Sector and its potential. This Chapter covers the aspects of Research Problem definition, Justification for the Study, the Scope with Limitations. Elaborate review of literature is also part this Chapter. - This Chapter thus sets the tone.
The Second Chapter is on Research Process and Methodology gives the details on Objectives, Hypothesis and Research Design - which includes Sampling design and Data Collection/Analysis Methods.

The Third Chapter gives the information of Area under the Study - The SSI Sector in India and Karnataka the industrial and related facts about Belgaum District forms the part of this Chapter.

Fourth Chapter is full of information of theoretical framework and Concepts. This is helpful for applying the concepts in the Research scientifically.

Fifth Chapter is the heart of thesis. It covers the Primary Data analysis. It includes the Section on Findings and Hypothesis testing as well.

Sixth Chapter is devoted for Suggested Marketing Strategies.