CHAPTER - III

CONSUMER BEHAVIOUR : STRATEGIC IMPLICATIONS

Purpose and Overview :

Marketing is a total system of business activities designed to plan, price promote and distribute products to present and to potential consumers. The very existence of the business is because of the fact that it manufactures some suitable product that will serve the consumer and also which will perpetuate the business. Naturally the job of marketing manager is to find out what product should be produced and what standards it should conform to. Nevertheless, the success of marketing will be fully utilized only if the business has a product policy and accordingly plans for the range of its products - because no matter how efficient a company may be in the other aspects of its business, its final success will depend on its product.¹

In a dynamic and ever changing customer-driven society, marketing-mix of an enterprise needs to be designed in the light of due weight to the customer and his behaviour (pre-purchase and post-purchase) towards the components of the marketing, viz, product, price, place, promotion, package, etc. Linkages among there will be weak if they are not joined together with a common thread i.e. consumer behaviour. Against this background, an attempt has been made to highlight the strategic implications of consumer behaviour vis-a-vis the marketing-mix elements.
Product-Market Integration:

Product as a component of the marketing mix can help achieve the marketing objectives only when there is an integration between the product and the market. Product market integration is a state where both product image and consumer self-image are in focus. Product market integration results in a match between product attributes and consumer expectations. Such matching is the crux of the modern marketing strategy. It helps achieve maximization of consumer satisfaction and sales profitability.

Developing a product image which is compatible with the self-image of his consumer is faced with problems. Since consumers are numerous and the product is one, the dilemma of a marketer is whether to meet consumers' self-images or to avoid penalties of product economics. If the former is opted then the product line proliferation and cost escalation are inevitable. In the latter case, the product line will be narrow and the cost structure balanced. Both options are not escapable and without problems. Hence, it is advisable to develop an optimum matching strategy between the company's products and markets.

Optimum Matching Strategy:

Optimum matching strategy is a method of matching product and consumers' self-images in such a way that in some market segments, there is full matching whereas in others not so, such that the cost revenue equilibrium is maintained. The optimum matching strategy comprises market segmentation,
product offering and product differentiation. The market is divided into three segments, core, fringe & zone of indifference. The company attempts to attain a full match between the product and self-image of the group of the consumers. In the fringe market, the match between the product and the self-image of consumers may be only partial which may be in terms of less than full compatibility in the respect of the product image and all the variables of consumers self image. In the zone of indifference, there is absolutely no attempted matching between product image and consumer self image.

The company should aim at a higher mark-up where at strategy of full matching is employed relative to partial and no matching strategies in order to earn large profits from the core market and to compensate for the loss of consumer satisfaction in the fringe market and zone of indifference. A policy of product differentiation may be followed in the fringe market zone of indifference. This may be achieved through effective use of advertising and sales promotion.

Product Positioning:

Product positioning is marketing strategy aimed at aligning company's products vis-a-vis competing products through product design and communication media so as to elicit from the consumers favourable product perceptions compared to the competing products. The strategy, therefore, attempts to project a different or revised product image in market than heither to perceived.
A company may position or reposition its products in the market in the following ways:

1. Claiming through advertisement that the product is different from the earlier one and is different from those of competitors.

2. Adopting new method of highlighting the product features compared to its earlier practice or those of competitors.

3. By promoting the product in the market segment not hither to entered into by the company or competitors.

An effective product positioning strategy should conform to some conditions such as presence of competition, existence of sizable and profitable market segment and availability of communication media, consumer behaviour data and creative product proposition. This would lead favorable consumer product perceptions and enable company to increase its sales volume and profitability.

Product Diversification:

Product diversification is an important policy and strategic option in the pursuit of product market integration. Diversification is a policy or management philosophy of operating company so that its business and profits come from a number of sources usually from diverse products that differ in the market or production characteristics. A distinguishing feature of the policy of
the diversification is to increase the number of products in the product portfolio of the company. It may involve a fundamental change in the old product i.e. in its modular construction. It is not merely a tactical adjustment in the design, style, color or size of the product to gain a temporary market advantage. Product diversification is not a synonym of product positioning. "It is, therefore, possible that the products in the company's diversified product portfolio may be wholly unrelated to each other except in so far as they originate from the financial strength and managerial acumen of the company."

Factors influencing Diversification :

Company histories reveal that the question of corporate survival, stability and growth are the prime movers of diversification. The specific reasons for diversification are:

Survival:

1. To offset declining or vanishing markets.
2. To compensate for technological obsolescence.
3. To offset absolute facilities.
4. To arrest declining profit margins.
5. To offset an unfavourable geographic location brought about by changing economic factors.
Stability:

1. To eliminate or offset seasonal slumps.
2. To offset cyclical fluctuations.
3. To maintain employment of labour force.
4. To provide a balance between old and new products.
5. To maintain market share.
6. To provide a balance between high and low margin products.
7. To meet new products of competitors.
8. To maintain an assured source of supply and
9. To reduce dependence on existing products.

Diversification may be horizontal, vertical or lateral. In horizontal diversification, new products are introduced which are akin to the industry's current product line; while, in vertical diversification, new products are developed to serve as either inputs for the current products or vice versa. Lateral diversification is a move to expand product line beyond the confines of the industry. Diversification strategy insures fuller match between product and market. However, it involves considerable investment, long pay back periods, enormous risks of product failure, uneconomic production, trap of full line competition and inter-product competition. Hence, any diversification programme has to be properly planned involving proper corporate appraisal, objective formulation, opportunity measurement, etc.
Product-Line Simplication:

Simplication is a product-market integration strategy. It entails deleting or eliminating from the product line those product items which no more satisfy the criteria laid down by management to retain products on the line. This product strategy is adapted whenever a product becomes a liability in terms of reduced profits or increased costs. There is a considerable managerial resistance to this strategy on grounds of emotional attachment with the current products and the product line simplification should be carried out in a planned manner involving consistent product performance review, phasing out scheduling and appraising all concerned about its rational. Simplification may be brought about by product line pricing, running out contract marketing licensing and abandonment of product.

Planned Product Obsolescence:

It is product strategy, which is a purposeful programme to shorten the time span or number of performance over which a product continues to satisfy customers. Obsolescence may be functional, physical or psychological. Function obsolescence occurs when a newly introduced product performs better than the existing product. Physical obsolescence occurs when a product gets out of use owing to deliberate use of such material and components whose life is always short. Psychological obsolescence occurs when new styles or fashions are introduced which destroy the value of current possessions.
Brand Strategies:

Brand is an associated product attribute. It refers to a name, term, sign, symbol, design or some combination used to identify the product of one firm and to differentiate it from similar competitive products. A brand becomes a trademark when it receives legal protection.

From the marketers' standpoint, a brand ensures repeat and replacement purchases. It provides the communication message. It discourages price competition. It facilitates new product introduction and promotes market control.

Branding imposes responsibilities on marketers to maintain quality and spend money to advertise them. Brands are classified as manufacturer's brand, distributor's brand and mixed brand. Branding strategies may envisage multi, single, private, mixed or trading up and trading down brands. A good brand named should be short, simple, distinctive, versatile, legally protectible and convey the right meaning about the product.

Packaging Policies and Strategies:

Packaging performs utilization communication and profit functions. The following are the alternative strategies of packing:-

i. Packaging charges.

ii. Family Packaging

iii. Re-use Packaging
iv. Multiple Packaging and

v. Ecological Packaging.

To develop the packaging strategy, management should take into account marketing product protection and economic considerations so that it serves as medium for attaining the marketing objectives. Packaging is helpful in communicating to consumers the product message. The selling value of packaging has received recognition at the hands of Indian marketing man. In case of consumer durables, the function of packaging is almost entirely protective.

Pricing and Marketing Strategy :

Price is the only element in the marketing-mix that produces revenue, the other elements produce costs. Price is flexible element which can be changed quickly unlike product features and channel commitments. Price competition is the number one problem facing companies. Yet many companies do not handle pricing well. "Pricing is too cost-oriented; price is not revised often enough to capitalize on market changes; price is set independent of the rest of the marketing mix rather than as an intrinsic element of the market-positioning strategy; and price is not varied enough for different product items; market segments and purchase occasions".

The managerial role in the product pricing includes :-

i. establishing the pricing objectives;

ii. identifying the price governing factors;
iii. ascertaining their relevance and relative importance;

iv. determining product value in monitory terms; and

v. formulation of price policies and strategies so as to effectively employ price as a strategic instrument in marketing a company's products.

Pricing plays a far greater role in marketing-mix of a company and significantly contributes to the effectiveness and success of the marketing strategy.

Demand Manipulation Through Price Strategy:

Marketing managers can regulate demand for their product by employing price as an instrument through promotion of demand during periods of excess capacity or curtailing demand during hampered input availability. Price is a more potent instrument of regulating demand in Indian context where the marginal value of money is relatively more than in developed countries. The marketing strategy for consumer durables can effectively employ pricing to achieve the business objectives of sales and profit maximization.

Pricing Strategy as a Competitive Weapon:

Price is an important competitive weapon in the armory of a company. A company can counteract the competitor's policies of reducing as a part of promotion campaign, or introduction of a new product or to enlarge its market share, by making suitable change in the price structure coupled with other strategic moves. Such a policy will help the company in successfully meeting...
competitive manouvers. When there are rivals, small changes in the price could often result in major changes in profitability.8

Pricing Strategy as an Important Decision Input :

Price is an important decision input in a variety of marketing decisions. Price provides an important decision base while product planning or modification programmes are under taken. "Price should be seen as a design variable in planning the product, as one of the several critical performance attributes"9.

Formulation of a suitable pricing policy raises some practical questions, which a marketer has to answer. They are :

i. What price should a marketer charge for the products?
ii. Should it be the same as that of the competing product or lower or higher?
iii. Should the price be marked on the product or left to the discretion of the retailer to charge what he can from the customer?
iv. Should any price discounts be offered?
v. What is the customer perception of a lower or higher price?
vi. Would a lower price stimulate sales?
vii. Or is a lower price associated with the poor quality?

A marketer has to take a decision regarding prices on the basis of these and other questions. He has to determine the price level which makes the image
of the product and which also maximize the sales revenue. The marketer must understand the way his product is perceived by consumers. He should understand the critically of the price as purchase decision variable, how an increase or decrease in price would affect the sales. It is only through continuous study of consumer behaviour in actual buying situations that the marketer can hope to find answers to these issues.

Management of Pricing:

A manager has to set forth before himself some important pricing objectives before adopting a suitable pricing strategy. Pricing objectives are the benchmarks against which management attempts to fix prices and formulate policies and strategies. These objectives help the company in integrating price with other marketing inputs so as to develop a synergic effect in the marketing and corporate strategies of the company. These objectives help in serving as standards against which managerial performance may be measured.


A company may lay down the pricing procedure and adopt certain methods for price determination. The pricing procedure may consist of:
Developing an information base in respect of cost; demand, industry price and practices, government regulation and typing arguments,

Estimating sales and profits,

Anticipating competitive environments,

Scanning the internal environment,

Consideration of other components of marketing mix and their relationship with price,

Selecting relevant pricing policies and strategies,

Determining price, and

Developing feedback system and obtaining a feedback.

Price Determination Strategy :

Cost of production

Cost and Demand both

Competition prices

Import price

External price or utility or value of products.

Each method of price determination has its own strengths and weakness. No one method is the best. Secondly the price set under any method opted for would be the best under the circumstances and not the 'best'. Therefore, in real life business situations concern is not with the best price but the correct price. The price signifies about product's correctness, unless proved otherwise. The wrong price is one that breeds disparity between output and sales.
Product Life Cycle and Price Strategy :

Pricing strategy will be effective only when it is related to the product behaviour during its travel through the different stages of its life cycle. Price strategy options during the different stages of the products life cycle are many and varied. A company may opt for one of the following price strategies during the introduction stage :-

- High skimming price
- Low Penetration price
- Pre-emptive pricing
- Extinction Price.

Skimming price strategy is characterized by high essential price of the product when it is introduced in the market. This strategy aims at fully exploiting the product distinctiveness by offering product to consumers in the high-income level group so as the skim the cream of the market.

Penetration pricing strategy is characterized by low initial price of the product when product is introduced in the market. The penetration pricing aims at attaining a large volume and reduce cost by stimulating rapid & wide spread market acceptance.

Pre-emptive pricing is characterized by a very low level of price intended to make the entry of competition very unattractive. It is set by keeping in view the total unit cost curve of the company.
Extinction pricing is characterized by a very low level of price intended to eliminate enough competitors from an industry. It is set by keeping in view the variable cost price approaches something approximately variable cost.

The high skimming price and low penetration price are demand-oriented while pre-emptive and Extinction pricing are cost-oriented.

Prices during the growth stage are determined with reference to competitors and prices have a tendency to soften. In the maturity stage, the price range narrows down and prices tend to be uniform in the saturation stage. Initially prices are uniform but later on they harden and continue to be so in the obsolescence stage also except for short lived defensive price reductions.

Integration between Market and Pricing Strategies:

Pricing policies and strategies are guidelines and framework with which management of a company administers prices so as to match them with the market needs. They are broadly identified as:

i. Policies involving price variations,
ii. Geographical price policies,
iii. Policies involving differentials, &
iv. Leader price and psychological price policies.

Pricing policies in terms of price variations relate to variable, non-variable and single price. Price may vary from buyer to buyer or price varies from
a class of buyer to another class of buyer. In the single price policy, a single price is charged from all buyers irrespective of their class.

Geographical price policy takes into account location of the buyers and sellers and the transportation costs.

In the policies involving price differentials, a company differentiates between the quoted and the realized price. For this, it may allow discounts and rebates and charge warranty thereby raising the price. Discounts are of three types:-

i. Trade discounts,

ii. Quantity discounts, and

iii. Cash discounts.

Leader price policy envisages initiation of price changes by leading firm in the industry to be followed by others. The company may be a leader or a follower.

Psychological price policy refers to one in which an attempt is made to fix a prices in such a way that a buyer is favourably predisposed towards the company's products.

Product pricing for consumer durables is by and large cost-oriented. Most firms set up their prices largely or even wholly on the basis of their costs. "In the markets characterized by a small number of suppliers, usually the market leader sets the price and other follow suits - some of the latter base their prices almost entirely in relation to the prices of market leader".12
Promotion and Marketing Strategy:

A strategy helps in laying down the principles by which a corporation excels competition, exhibits attractiveness to the buyers and the results into utmost utilization of the corporate resources. Hence, if a suitable strategy is framed the sales promotional device would be sensitive and the promotional cost would also be optional.

Sales promotion strategy would include:

i. Selection of appropriate devices or sales promotion schemes,

ii. Decisions regarding the sales promotion investment or sales promotion budgeting,

iii. Measurement of effectiveness of sales promotion schemes, and

iv. Duration of sales promotion schemes.

A sales promotion manager diverts his attention on all these basic issues determining the magnitude of promotional effectiveness. This is considered as the persuasive communication and so it is essential that the sales promotion schemes succeed in stimulating the impulse buying.

A marketing manager requires an in depth study of the promotion-mix while framing the sales promotion strategy. Following aspects are relevant:-

i. what to be invested on personal communication?

ii. what to be reversed for advertising?

iii. what to be allotted to the sales promotion?
These aspects would depend on the corporate efficiency of manufacturing the product.

The second aspect is the selection of sales promotion schemes. Here the question of whether the emphasis should be on the consumer-oriented schemes or middlemen-oriented scheme would be governed by the response of product in the market or the emerging trends in competition. It also involves the lot or stock of potential buyers or actual users.

The third aspect is the co-ordination amongst the promotion mix. The very success of sales promotion depends on the instrumentality of personal selling and advertising. It is, therefore, essential that a marketing manager should make decisions regarding the allotment of funds between the three facts of the promotion mix. He should also make an evaluation of the schemes adopted in the past. This would cover investment on the sales promotion schemes and the responses in favour of selling activities.

**Consumer Characteristics and Promotion Strategy**

Living standard, living habits and living style of the people should be given due importance in formulation of sales promotion strategy. The strategy should be such which throws cascade impact on the buying decisions of the potential buyers or the actual users. This tool of promotion mix is found more sensitive particularly in a backward or underdeveloped economy. The potential buyers of the underdeveloped economy have distinct buying psychology. They
prefer buyers of the underdeveloped economy. They prefer to buy those products in which the promotional incentives have been offered. People in underdeveloped countries believe that the producers have been offering these incentives only to boost up the selling activities. They do not assume that overstocking goods or waste disposal would also be responsible for introducing the sales promotion schemes.

It is observed that "in a virtual sense all other promotional tools like personal selling or advertising are found ineffective particularly in the backward countries". The marketing manager or the sales promotion department should make a careful study of the buying psychology of the potential buyers or prospects. This would help in making the sales promotional devices effective, sensitive or proactive.

Sales promotion department of a company should utilize these tools of the promotion mix with the ultimate purpose of information transmission or emotional persuasion. However, it should not be used as a media of deceiving the potential buyers or the actual users. As and when the producers face the problem of moving the product life cycle in the reverse gear or fail to excel the competition with the help of personal selling or advertising, the sales promotion may be opted.

**Personal Selling - Advertising and Sales Promotion**:

Sales promotion is a bridge-connecting link which bridges over the gap between the personal selling and advertising. Personal selling is oral representation in conversation, which creates the impulse buying. In fact, no other tool of the
promotion mix is so strong and sensitive as the personal selling or salesmanship. It is the only form of promotion involving face-to-face or direct relationship or interpersonal interaction or personal communication. "Personal selling is a highly distinctive form of promotion like other forms of promotion. Personal Selling is basically a method of communication, but unlike others, it is a two-way rather undirectional communication. It involves not only individual but also social behaviour. The outcome of each sales situation depends importantly upon the success both parties' experience in communicating with each other and in reaching a common understanding of needs and goals".

Advertising is the communication of information, whereas the sales promotion is the temporary offer of a material reward to the customers. Where as advertising offers reason to buy sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (Samples, coupons, cash refund offers, prices off, premiums, prizes, patronage, rewards, free trials, warranties, tie in promotions, cross promotions, point of purchase displays and demonstrations). Trade promotion (price off, advertising and display allowances and free goods) and business and sales force promotion (trade shows and conventions, contests for sales reps, and specialty advertising).

Developing an advertising program involves a five step process.

i. Marketers must set advertising objectives. They must decide whether they want their advertising to inform persuade or remind/reinforce.
ii. They must establish a budget which takes into account the stage in the product life cycle, market share and consumer base, competition and clutter, advertising frequently and product substitutability.

iii. They must choose the advertising message determining how the message will be generated, evaluating alternative messages for desirability exclusiveness and believability.

iv. They must decide on the media they will use.

v. Marketers must take steps to evaluate the communication and sales effects of advertising.

Advertising task needs proper co-ordination in certain areas of marketing. They relate to:

i. Advertising agency,

ii. Product planning,

iii. Personal selling,

iv. Sales promotion, and

v. Distribution.

Suitable methods for co-ordination of advertising with the above areas are meetings, memorandum and personal supervision. These methods would bring about integration of all marketing functions under one marketing department.
Co-ordination has to be deliberate exercise. It can't be left to chance. An appropriate marketing information system be evolved in addition to formal and informal means of communication.

Physical Distribution and Marketing Strategies:

Marketing strategies relating to distribution comprise of two components:

i. Channels of distribution, and

ii. Physical distribution of corporates.

Shaw\textsuperscript{17}, Weld\textsuperscript{18}, Cherington\textsuperscript{19} and Mc Garry\textsuperscript{20} regarded distribution channels as identifiable, discrete and indispensable function of marketing. Vile, Greather & Cox\textsuperscript{21} identified, discrete and indispensable function of marketing. Vile, Greather and Cox\textsuperscript{21} regarded distribution channel as a 'flow' rather than 'function' indicating that the channel is the pathway for the flow of ownership and possession of goods and services.

Distribution or marketing channel may be defined as "a pathway composed of intermediaries also called as middlemen, who perform such functions as needed to ensure smooth and sequential flow of goods and services from the manufacturing ends to the consuming ends in order to achieve marketing objectives of a company".
Role of Distribution Channel:

Distribution channels play a very important role in achieving the marketing objectives of a company. Both the market and the distribution channel are often more crucial than the product. They are primary; the product is secondary. In an economy like that of India, the value added in distribution in the case of several consumer articles is significant as compared to the value added during manufacture.

Factors Influencing Channel Choice:

The choice of the channel of the distribution is influenced by various factors:

i. Product characteristics,

ii. Consumer characteristics,

iii. Company characteristics,

iv. Middlemen consideration, and

v. Environmental factors.

Product Characteristics:

Product characteristics refer to the unit value of goods, product features such as bulk, weight, perishability, technical features, product standardization
and so on. The strategy of the marketer should be to consider the product characteristics to have a proper channel of distribution. Products which are frequently purchased and products which are perishable need direct marketing. Direct marketing becomes relevant in case of bulk products, non-standardized goods and goods which are in need of technical know-how. Middlemen may not prefer such goods. Long channel of distribution is preferable in cases of durable goods, lightweight goods, small sized goods without technical complexities and standardized products.

Consumer Characteristics:

Consumer characteristics relating to buying habits, size and location of the markets and order size, etc., have to be considered in deciding the channel of distribution. Here factors like the number of customers, their geographical dispersion, frequency and regularity of purchase and susceptibility to different selling methods have to be considered. Long channels or chains of distribution may be necessary when customers are large and spread over a wide geographical area. Similarly, goods which are small and frequently demanded are served through long chains of distribution. Short chains of channels of distribution are preferable in cases of small number of buyers concentrated in a few geographical areas and in cases of infrequent purchases of large units.

Company Characteristics:

The channel pattern is influenced by the size of the company, it's financial resources, past channel experience, current marketing policies and the
company's product mix. A financially sound firm may engage in an indirect
distribution method for profitable and wide marketing of goods. A firm which is
financially weak may tend to employ financially sound intermediaries. Direct
marketing will be useful for firms, which preferred to have a policy of speedy
delivery of goods to ultimate consumers. They should avoid intermediaries. Dealing
with direct customers would be preferable to company whose product mix is wider.
The company's organization structure should be suitable for direct marketing. It
should also carry a good reputation in the market.

Middlemen Considerations:

Availability of middlemen influences the decision regarding the choice
of channel of distribution. The factors considered in this direction relate to the
cost of maintaining intermediaries, distribution policy of the firm, firms sales and
profit margins in the sale of goods. The Strength and weakness of different types
of intermediaries performing various marketing functions should be studied prior
to their selection. The number of intermediaries needed for the distribution of firm's
product depends on the degree of market exposure sought by the firm. The choice
of channel should correspond to the laying down of channel objectives. The choice
of channel also depends on how far the middlemen may be able to fulfil the
distribution objectives of the firm. The company may prefer certain degree of
control over the market and hence, it may like the middlemen to behave and act
in the manner desired by them. Direct marketing would be better choice for such
companies.
Environmental Factors:

Environmental factors influencing the choice of the channels of distribution include competitors channels, channels of distribution for similar products used by other producers, economic conditions, government policies and taxation, which affect the channel choice. Intermediaries will not come forth during economic depression as the market tendencies are bearish. The opposite situation prevails during period of an upward tend in economic conditions.

Physical Distribution:

Physical distribution activities include freight transportation, warehousing, material handling, protective packaging, inventory, plant and warehousing, site location, order processing, market forecasting and consumer service. Even the movement of raw materials from the source of supply to the beginning of production line is considered as part of physical distribution. Physical distribution can be broadly described as that area of business management responsible for the movement of raw materials and finished products and the development of movement system.  

Physical distribution is also referred to as 'marketing or business logistics'.

The major objectives of physical distribution are:

i. Reduction of distribution cost,

ii. Efficient movement of products,
iii. Minimizing inventory level,
iv. Speedier transportation, and
v. Minimum handling and transshipment.

An efficient physical distribution of product contributes immensely to the achievement of marketing and corporate goals. It creates time and space utilities. It improves customer service, reduces distribution cost, ensures a large market share and stabilize prices. Physical distribution has low profile in India due to lack of awareness about its contribution and due to the existence of sellers market. There is, however, need for proper appreciation of physical distribution in the country due to the fast product proliferation, increasing competition pressures for lower prices, growing tendency for uniform delivered pricing, periodic product storages, increased distribution cost and technological developments.

Managerial Strategy and Physical Distribution:

The system of physical distribution in any company is governed by factors such as product, market distribution channels, resource position and availability of physical facilities. The physical distribution function in a company envisages interaction of all the 3 components-inventory management, materials handling and transportation. Each one works as a sub-system and influences the working and performance of the other. It is, therefore, the total problem and not an exclusive inventory or materials handling or transportation problem. A
corollary of systems approach has emerged as the total cost concept in physical distribution management. "It refers to the consideration of the total cost of physical distribution and not the individual cost of each component in choosing alternative courses of actions so that it is the total cost that may be reduced. Attempts at reducing individual cost may backfire in terms of rise in the total cost. However, an effective use of the total cost concept requires in depth studies to develop alternative cost configuration so as to determine relative trade offs."
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