Marketing Mix Elements: Evaluation and Control

The marketing firms doing business first identify their target market and subsequently make a total offer. The offer comprises a product or service delivered at a convenient place for the target market. The firm also fixes up a price for exchange of goods and services. The customer in the target market, if aware of the product, may respond and buy the product and if not aware, will miss the product. To avoid this situation, a firm may advertise and inform the target market about the product. Therefore, when making an offer to the market, the firm has the liberty to leverage variables which are essentially in his control. These controllable variables are the element of total offer made to the target market.¹ These conceptual frameworks have been proposed by marketing experts like Alber W. Frey, who proposed that all marketing decision variables can be divided into two factors, i.e., the offering (product, packing, brand, price, and service) and methods and tools (distribution channel, personal selling, advertising, sales promotion and publicity).

Lazer and Kelley proposed the three factor classification: (1) Goods and services; (2) Distribution mix; and (3) Communication mix. However, it was James Culliton, who coined the expression “Marketing Mix” and Broden (1965) who described the marketing manager as a mixer of ingredients, who is constantly engaged in fashioning creatively a mix of marketing procedures and policies in his efforts to produce a profitable enterprise. The marketing mix is not a theory of management which has been derived from scientific analysis but a conceptual framework which highlights the principal decision marketing people make in configuring
their offerings to suit customers’ needs. The marketing mix is a tool which can be used both to develop long-term strategies and short-term tactical programmes.

The policies adopted by manufacturers to attain success in the market constitute the Marketing Mix. The product itself (i.e. the benefits the consumer is offered by the product) constitutes the most important element of the marketing mix. Closely tied to the product are its packaging and branding as a product along with its packaging and branding create a particular image in the consumer’s mind. Another element in the marketing mix of any firm is the system of marketing channels through which products and services are distributed to the ultimate consumers or final users. The basic object of the manufacturer in selecting and developing distribution channels in conjunction with other elements of the marketing mix is to maximize the degree of attainment of company goals including profit, stability, and long-term growth. It should be emphasised that marketing channel policies are an integral part of the marketing mix and must be considered on the basis of other marketing decisions. The marketing channel decision is affected by production and financial considerations. Another element of marketing mix closely concerned with the marketing channel policies is pricing. In setting the prices, manufacturers must work backward from the final or retail prices to a factory prices with the allowance for customary or required margins at each stage of the channels. Finally, another important element of the marketing mix is promotion which includes advertising, sales promotion in the narrower sense such as contests and free gifts as well as the personal selling activities. Thus, the marketing
functions and activities can be conveniently grouped under the following four heads namely²:

1. PRODUCT including aspects of packaging and branding;
2. PHYSICAL DISTRIBUTION including questions of warehousing and transportation facilities;
3. PRICING; and
4. PROMOTION including personal selling and advertising.

The marketing mix is a set of four controllable variables, product or services, price, place, and promotion and their intensity or level that any firm uses to leverage the marketing programme intended to influence the target market. Many marketing experts have made attempts of various types of marketing variables but it was E. Jerome McCarthy in his treatise “Basic Marketing: A Managerial Approach” and advocated four Ps, i.e., product, price, place and promotion.

Any variable under the control of the firm that can influence the level and intensity of customer buying behaviour and response and help in simplifying buyer-seller equation are a set of variables called marketing mix variables. There are many possible ways the firm can satisfy the needs of the customers. A product quality, features and attributes can be altered to suit the customer’s requirement, level of services or other sales service can be adjusted. The packages can be of various sizes, shapes, colours, materials and quality of printing, etc. and can often be changed to synchronise with the buyer’s liking. The communication message can often be amplified and intensified to influence customers. Finally, prices can be adjusted, and discount levels may be changed to keep customers happy. Therefore, with so many variables, the company has to make a
very rational and balanced choice so that customer response is most effective and desirable.

P – Product (Tangible goods, durable, non-durable, industrial, non-industrial, Intangibles products like services)
P – Price (Cash, cheque, etc.)
P – Place (Distribution, retail outlets, etc.)
P – Promotion (Advertising, sales promotion, etc.)

A list of particular marketing variables under each ‘P’ is given below:

<table>
<thead>
<tr>
<th>Product</th>
<th>Place</th>
<th>Promotion</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Channels</td>
<td>Advertising</td>
<td>List Price</td>
</tr>
<tr>
<td>Features</td>
<td>Retail outlets</td>
<td>Personal Selling</td>
<td>Discount</td>
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<tr>
<td>Options</td>
<td>Coverage</td>
<td>Sales Promotion</td>
<td>Allowances</td>
</tr>
<tr>
<td>Style</td>
<td>Locations</td>
<td>Publicity</td>
<td>Payment Period</td>
</tr>
<tr>
<td>Brand name</td>
<td>Inventory</td>
<td>Public Relations</td>
<td>Credit Terms</td>
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<td>Packaging</td>
<td>Transport</td>
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<td>Sizes</td>
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<td>Services</td>
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<td>Warranties</td>
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<td>Returns</td>
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The marketing mix of a firm will depend upon the characteristics of the product, consumer and target market at a particular period of time. Thus, marketing mix can be put as –

(Marketing mix = Product, Price, Place, Promotion)

Target customer at a time period Tx and place Px period tx

A firm has to decide the following to get correct marketing mix:

(i) Type of product of brand to be offered
(ii) Type of packaging to be considered
(iii) Price level and discount levels and terms of payments
(iv) Selection of target market territory
(v) Type and intensity of distribution system
(vi) Levels of inventory
(vi) Type of advertisement – selection of media, management campaign time and duration
(vii) Level and intensity of promotional materials.

All the Ps as mentioned above are needed to formulate a marketing mix strategy for a target market. It is essential to understand that these Ps are the backbone of marketing mix. When a marketing mix strategy is developed, decision about all Ps should be made at the same time keeping the customer into consideration. In this way, marketing mix is developed to offer a product or service to satisfy customer’s needs and wants. The products and services which must be able to reach the customer’s place and companies use media to inform customer about the product and its availability and the product or service is offered to target customer at a price after estimating expected customer reaction to the total package and the costs of getting it to them.

Some authors and marketing experts have suggested 5Ps like product, price, packaging, place and promotion. They feel that packaging, particularly for customer products play an important role and a very important input for the total product offered to the customer and therefore packing should be given a separate identity. Whereas the cities of this argument that hold packaging is an integral part of the total product inclusive of packaging and hence there is no need for considering packaging separately in the marketing mix.

The marketing mix for service market is product, price, place, promotion, people, process and physical evidence. The market experts
differ as far as inclusion of marketing mix tools is concerned. Traditional marketing mix comprises four elements – product, price, promotion and place. A number of authors and marketing experts have additionally suggested adding people, process, and physical evidence decisions. There is overlap between each of these elements and their precise definition is not particularly important. What is important to mention is that marketing managers can identify the actions they can take which will produce a favourable response from customers. Truly speaking, marketing mix has merely become a convenient framework for analysing these elements or decisions. First 4Ps, i.e., products, price, promotion and place are universally used and found very relevant for customer goods and even for industrial goods too. The three more Ps, i.e., people, process and physical evidence are only relevant for service oriented products.

The 4Ps classification of marketing decision variables was popularised by E. Jerome McCarthy (vide E. Jerome McCarthy, Basic Marketing: A Managerial Approach. Richard D. Irwin Inc. III 1964). He termed them as the product, place, promotion and price. In the classification given here the ‘place’ variable has been substituted by ‘physical distribution’ as this is considered more in consonance with the other 3Ps. All the 4Ps in marketing must be directed towards the customer and that is where marketing research supplies the information required by persons in charge of planning the 4Ps in terms of the customer. The main aim of all marketing activities is ‘profitability’. The marketing manager should therefore devise such a marketing mix that will give the optimum profit for the product he has to market. He should devise the marketing mix keeping in mind the relevant market forces so that the result would be sufficient and adequate profits. Commenting on earning profit Winston
Churchill said: “It is a socialist idea that marketing profits is a vice; I consider the real vice is making losses”. The following list of the relevant market forces and the elements of the marketing mix would be helpful in analysing marketing problems:

(A) RELEVANT MARKETING FORCES

- Consumer habits
- Consumer attitudes and motivations
- Trade structures and practices
- Trade attitudes and motivation
- Types of competition
- Relation of supply and price to demand
- Position and share of the market
- Trends of competitive behaviour
- Government controls which are applicable.

(B) ELEMENTS OF THE MARKETING MIX

(1) General Planning:
- Establishing an acceptable and possible rate of growth
- Determining the size and extent of market where business may function profitably
- Determining the costs and expenses needed for the business operation
- Estimating the finance needed.

(2) Product Planning:
- Determining the product or service offered
- The possible improvement and innovation in the product
- The brand and packaging policies
- The importance of servicing and after-sales-service.

(3) Pricing:
• The level and psychological aspects of prices
• The appropriate margin
• Resale price maintenance
• Government control, if any

(4) **Channels of Distribution:**
• Selling through wholesalers
• Appointing sole selling agencies
• Selling directly through own sales force.

(5) **Sales Forces:**
• The extent of personal selling
• Extent of approach to wholesalers and retailers
• Extent of approach to consumers direct.

(6) **Advertising and Sales Promotion:**
• The advertising programme
• Importance given to display and point-of-sale material
• Extent of sales promotion aimed at consumers
• Extent of sales promotion to dealers.

(7) **Physical Handling:**
• Transportation
• Warehousing
• Inventory policies
• Possible reduction in costs.

(8) **Marketing Research:**
• Sales analysis
• Field surveys
• Use of outside agencies.
Challenges before Marketing Mix

A marketing manager has to face many difficulties in integrating the several variables of the marketing mix. To overcome these difficulties, a marketing manager must be in a position to use advantageously the concepts and methodology developed by other social scientists in the areas of economics, psychology, sociology, anthropology, mathematics and statistics. He must be familiar with the concepts and ideas evolved from these disciplines which could be useful in his job of managing the marketing activities, although he himself does not have to be a specialist in each of these areas. For example, these sciences have developed a number of measurement methods such as projective techniques, mathematical models and programming, statistical sampling and measurement. The marketing manager has to borrow these tools offered by the behavioural sciences, modify them and adapt them to his marketing activity.

It is a matter of everyday experience that certain products are purchased by customers out of “habit” and others through “impulse”. “Social pressures” may also help or hinder the ready acceptance of a product. Certain products are purchased out of “prestige” or to satisfy one’s ego for status, e.g. Rolls Royce’s and Cadillac’s and foreign cars in India. Just like the psychologist, the marketing manager is also interested in personality, attitudes and motivational systems of human beings. Human behaviour is generally a function of the interrelationships of personality to social system and culture. The contribution of the anthropologists also finds its place in effective marketing. As an illustration, the colour blue is associated in Iran with mourning, so while exporting textiles to Iran; this fact would have to be borne in mind by the marketing manager
concerned. Thus, the marketing manager should be in a position to use, where relevant, the ideas advanced by the other sciences.

To assess the situation, marketing information is utilised in marketing planning. One has to select specific marketing targets in the form of market segments. For each segment of the market one formulates a combination of a number of devices or types of marketing activities that are integrated into a single marketing programme to reach a particular target or market segment. The combination of these marketing methods or devices is known as the marketing mix. A successful marketing strategy must have a marketing mix as well as a target market from whom the marketing mix is prepared. Some marketing experts have put the elements or variables that make up marketing mix as under:

(A) **PRODUCT MIX**: Brand, style, colour, design, line, package, warranty, service.

(B) **PRICE MIX**: Pricing strategy, pricing policy, basic price, terms of credit, discounts, allowances.

(C) **PROMOTION MIX**: Personal selling, advertising, publicity, sales promotion (dealer aids and consumer aids).

(D) **PLACE MIX**: Distribution channels (wholesalers, retailers and mercantile agents); physical distribution (transport, warehousing and inventory).

An analysis of marketing activities reveals that a marketing manager is a mixer of all marketing ingredients and he creates a mix (blending or combination) of all the marketing elements and resources. The marketing mix is determined in such a way that it may offer an optimum combination of all marketing ingredients (i.e. least cost) so that enterprise goals such as profit, return on investment, sales volume, market share and
so on can be realised. Actually marketing mix is a profitable formula of all marketing operations. Undoubtedly changing marketing conditions have affected marketing mix and also changing environmental factors (technical, social, economic and political) affect each market. Marketing mix is based on marketing research and information. To make marketing mix an effective tool to achieve enterprise goals it must be fully related to customer demand, competition as well as other environmental forces as discussed above. The outcome of optimum marketing mix is optimum productivity and customer satisfaction.

**MARKETING MIX ELEMENTS OF SMALL SCALE SECTOR**

**Products:**

The product is the most tangible and important single component of the marketing programme. The product policy and strategy is the cornerstone of a marketing mix. Here, it is important to mention that it is the product without which there is nothing to distribute, nothing to promote, and nothing to price. If the product fails to satisfy consumer demand, no additional cost on any of the other ingredients of the marketing mix will improve the product performance in the market. To the marketer products are the building blocks of a marketing plan. Good products are the key to marketing success. It is a matter of everyday experience that product decisions are taken first by the marketers. Besides, these decisions are core to all other marketing decisions such as price, promotion and distribution. Product is the vehicle by which an enterprise provides consumer satisfaction. In true sense, product is the engine that pulls the rest of the marketing programme. Product fills in the needs of society. It represents a bundle of expectations to consumers and society. The product concept has three dimensions given as under:-
1. **Managerial Dimension:**

It covers the core specifications or physical attributes, related services, brand, package, product, life-cycle and product planning and development. As a basis to planning, product is second only to market and marketing research. The product offering must balance with consumer-citizen needs and desires. If the offering, i.e., the product totally wins over the customer, it shows the culmination or climax of marketing. Product planning and development can assure normal rate of return on investment and continuous growth of the enterprise.

2. **Consumer Dimension:**

Consumers take a product as a group of symbols or meanings. Experience shows that customers buy things not only for what they can do, but also for what they mean. Each symbol communicates a certain information. Product represents both utility and non-utility aspects, i.e., tangible and intangible things. A product conveys a message indicating a bundle of expectations to a buyer. Consumer’s perception of a product is critical to its success or failure. A relevant product is one that is perceived by the consumer as per inventions of the marketer. Once a product is bought by a consumer and his evaluation, i.e. post-purchase experience is favourable marketers can have repeat orders. Consumer accepts products as bundle of satisfactions rather than as physical things.

3. **Societal Dimension:**

Society always welcomes salutary products and desirable products as they fulfill the expectations of social welfare and social interests.
Salutary products yield long-run advantages but may not have immediate appeal. Desirable products offer both benefits, immediate satisfaction and long-run consumer welfare. Society dislikes the production of merely pleasing products which give immediate satisfaction only but which sacrifice social interests in the long-run. Marketers have to fulfil the following social responsibilities while offering the products to consumers:—

(i) Conservation and optimum use of natural resources of the country
(ii) Safety to users
(iii) Long-run satisfaction of consumers
(iv) Quality of life, concern for better environment
(v) Fulfillment of government regulations relating to composition, packaging, labeling, promotion and pricing of many products
(vi) Eco-market products would be environment friendly.

**Product from Consumer’s Point of View**

A consumer buys a product to satisfy his need. His want satisfaction i.e. economic and mental satisfactions are the bundle of benefits derived by the use of the product. In other words, a product is a bundle of all kinds of satisfaction of both material and non-material kinds, ranging from economic utilities to satisfaction of a social psychological nature. A consumer may get two kinds of utility from a product – (i) economic utility and (ii) supplementary utility in the form is concerned, a product may be a good, a service, a good plus service or just an idea. A product is all things that are offered to a market. These things include physical objects, design, brand, package, label, price, services, supportive literature, amenities and satisfaction, not only from physical product and services offered but also from ideas, personalities and organisations. In
brief, it may be put that a product is the sum total of physical, economic, social and psychological benefits. The marketers must define their market in terms of product functions – what the customers expect from the product.

Consumers are not interested in the composition of a product. They are concerned only with what the product does, what the product means to them and to what extent it satisfies their social and psychological needs. The needs will vary between one customer category and another. The needs and expectations are also changing. As far as saleability of a product is concerned, it must contain the following selling points:-

(i) The core component, i.e, physical attributes
(ii) Utilisation
(iii) Brand, package and label
(iv) Design, colour, size, shape, style, finish, beauty, etc.
(v) Price
(vi) Services
(vii) Enterprise image
(viii) Safety to users.

With the help of few examples the benefits and satisfactions derived by the use of products may be put as under-

(i) The mascara and skin cleaner are not only simple products but are hope and beauty.
(ii) Toothpaste may be a product to the producer but to the consumer it means hopes and expectations; whiter and cleaner teeth pleasant taste, fewer cavities, stronger gums and sweet smelling breath. The consumer buys these hopes and expectations, and not the toothpaste.
(iii) A book is a mere product to the producer or distributor but to the reader or student it is a hope for career building. So many examples of small industry products may be put here to reveal the distinction of interests of producers and the customers. These expectations of benefits are called market offerings and they act as the selling points of a product. If the performance of the product is on par with expectations, the customer will be satisfied and the seller’s mission is fulfilled. What marketers are selling in a product is the capacity and competence of the product to offer expected use, performance and satisfaction. The concept of product as a bundle of utilities, satisfaction and benefits need not be overstressed.

**Product Plan or Strategy**

A product strategy is an enterprise plan for marketing its products. An enterprise first lays down product objectives and subsequently to achieve the already set objectives product design is developed. An enterprise may have a product programme suitable to the product is position in the life cycle. A number of product related issues are covered by the product plan or strategy viz., product line, product mix, packaging, labelling, branding, service after sale, organising for product planning and development, product research and improvements.

**Product Line** is a group of products that are related either because they satisfy similar needs of different market segments, or because they satisfy different but related needs of a given market segment. A range of electrical goods or toilet soaps are product lines as these satisfy one need for different market segments. In the same way, a group of cosmetics is a
product line as it satisfies different but inter-related needs of one market segment, say, rich urban women.

**Product Mix** is the entire range of products of an enterprise for sale. Product mix need not consist of related products. This point may be made clear by putting an example viz., the product mix of Hindustan Machine Tools includes a diverse range of products such as watches, machine tools, tractors, printing machinery and electric lamps. The product mix reveals three main characteristics – width, depth and consistency. Width of the product mix depends upon the number of product groups of product lines found within the enterprise. Depth of the product mix depends upon the number of product items within each product line. Consistency of the product mix refers to the question whether or not the products have production affinity, marketing affinity or research affinity.

Renowned marketing management expert Philip Kotler has classified new product opportunities as under –

(a) **Pleasing products**, e.g., Pan-Masala, cigarettes which give high immediate satisfaction no doubt, but they do harm consumer interest in the long-run.

(b) **Deficient products** which have neither immediate appeal nor long-run benefits. Firms are not interested in such products as there is no chance to make any profit at all.

(c) **Salutary products** are like eco-friendly goods and detergents with low phosphates. They have long-run advantages but have no immediate appeal to consumers. Hence, products are not primarily interested in such products. Any how they can be taken as a challenge and they can be made initially attractive without losing long-run consumer benefits.
(d) **Desirable products** which have a happy combination of high immediate satisfaction and high long-run consumer welfare. Tasty, nutritious, ready-made food products are the examples of such desirable products. Socially responsible firms would attempt to find opportunities to produce desirable products.

As far as cost of production is concerned pleasing products are less costly than desirable products and consumers may demand pleasing products. Some competitive firms may be ready to offer such pleasing products. Socially responsible firms would try to provide some long-run benefit to pleasing products without reducing their immediate satisfaction. Firms have ample opportunities in developing desirable products such as new foods, new textiles, new appliances, etc. They assure initial sales and also sustained profits. Under the socially responsible marketing approach desirable products are at a premium provided they are nearer to salutary products.

**Relevance of Sound Product**

Successful marketing needs – products and markets. These must be woven in such a manner that products and consumer demands are perfectly correlated. In fact, product and market are expected to be the two sides of the same blade, viz., marketing. Undoubtedly, product is expected to satisfy all the needs and desires of a customer. If the product is sound and easily acceptable to the customers, satisfies reseller’s needs and consumer preferences, fulfils needs and desires of the customers, sales success is assured. In essence, the right product is a great stimulus to sales. A right product is bound to reduce considerably the problems of pricing, promotion and distribution. It need not have aggressive
advertising and high pressure salesmanship. It may not demand extraordinary sales promotion gimmicks. In this way the above mentioned analysis and discussion shows that product superiority in want-satisfaction can carry greatest selling load in our marketing mix, e.g., Polaroid instant camera, Xerox for instant reproduction, Remote Control, Tele Watch and Visual Phone, Walt T.V. Screen.

**Product Analysis and Research**

In marketing, product analysis and research is of utmost importance. It is a study of consumer preferences and habits as well as dealer preferences and habits relating to a given product. Even a study can determine the extent to which the product should be altered, modified or adapted to meet exactly the existing demands of the customers and resellers. The study can also enable us to devise a new product analysis and research needs high level of skill and intelligence which can dictate the taste, colour, size, shape, style, performance and such other specific features on the basis of customer whims, fancies and preferences. On the basis of such reliable information and data about customer demand, a manufacturer can bring out a tailor-made product having all the elements in exact tune with the needs, wants and expectations of customers. In case of small industry products such analysis and research has additional importance to sustain in market.

**Survey Results**

The small industry products manufactured by selected 40 sample units were grouped into 10 major commodity groups i.e. pharmaceuticals,
packaging, furniture, engineering goods, electronic items, plastic goods, FMCG, automobiles, textiles and edible items. To evaluate customers’ responsiveness towards the SSI products, Likert’s 5-point has been used as under:

<table>
<thead>
<tr>
<th>Level of Customer Satisfaction</th>
<th>Very High</th>
<th>High</th>
<th>Average</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

As customer satisfaction is of qualitative nature, it may not be put in quantifiable terms. This is why above mentioned scoring technique has been used. Undoubtedly this approach is not quite free from bias of the analyst and criticism, yet, under the given circumstances, this could not be avoided. So maximum attention has been paid to avoid subjectivity and bring objectivity in the analysis. Truly, these scores exhibit at best the close approximations of the actual marketing practices of the small scale units under study. Actually these scores are reliable in relative terms only as these put the performance in varying grades showing relative importance. The following table shows customers’ responsiveness towards small industry products manufactured by SSI units in Uttarakhand:-

**Table 2.1**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Product related variables</th>
<th>Name of Units by Commodity Groups</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>1</td>
<td>The product is available in different varities</td>
<td>2</td>
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<td>2</td>
<td>Product appearance attracts the customer</td>
<td>2</td>
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<td>3</td>
<td>Product is of high quality</td>
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<td>4</td>
<td>Features of the product appeal to the customer</td>
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<tr>
<td>5</td>
<td>Product provides good service to the customer</td>
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<td>6</td>
<td>Brand name of the product popularizes it</td>
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<td>7</td>
<td>Packaging of the product is nice</td>
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<td>8</td>
<td>Product bears Warranties</td>
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<td>9</td>
<td>After sale service is provided</td>
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<td>10</td>
<td>Product range is considerably wide</td>
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<th>3</th>
<th>4</th>
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<th>30</th>
<th>36</th>
<th>36</th>
<th>24</th>
<th>33</th>
<th>32</th>
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<td>2.8</td>
<td>3.0</td>
<td>3.6</td>
<td>3.6</td>
<td>2.4</td>
<td>3.3</td>
<td>3.2</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**Source: Based on Survey**

By the analyses of the above data it is clear that engineering and electronic items give maximum satisfaction to the customers and have gain their confidence at the most. Both these items satisfy the customers after their use. FMCG stand at second place because of their appearance, variety, quality, brand name as well as good packaging. The automobiles have been put by the customers at third place as there is tough competition in the automobile market. Furniture which is a durable domestic as well as office purpose item stands at forth place. The scores refer customers’ responsiveness towards all these 10 groups of small industry products

**Pricing:**

Pricing the products and services might be a routine job for most producers and retailers but pricing involves a thorough and a deep understanding of the principles and practices governing the business environment. A manager should possess a certain level of ingenuity,
sufficient skills and sometimes, he has to use his sixth sense while fixing a suitable price for a product or a service. Adopting the right pricing strategy helps an enterprise achieve its objectives. However, ineffective pricing causes significant damage to the enterprise’s growth and sustainability. To sustain and achieve its objectives in the competitive market, an enterprise should adopt the most effective pricing mechanism. Thus, pricing is very important to a marketer.

The pricing policy and product policy are inter-related to a large extent. For example, an enterprise desiring to increase the quality of its product would also want to increase the price to cover the increased costs involved. The marketing executive’s basic desire is to fix the price in such a way that it results in the maximum profit to the enterprise flowing from the total sales volume secured by the business at that particular price. This does not necessarily mean that he must fix it at the highest possible price. Generally his objective is to widen continuously the markets for his product. This applies whether he is dealing in consumer products like soaps and shoes or durable consumer goods such as motor-cars and refrigerators. It equally applies to an enterprise providing services such as transport. To widen continuously the markets generally requires the product to filter into persons at lower levels of income. By widening such markets and increasing the number of products sold, the overheads of the enterprise can be spread over a large number of items which may result in a consequent lowering of pricing which in its turn would make it possible for more persons to purchase the article. He may even decide to price his product differently according to different market segments based on incomes or locations. For example, different pricing strategies are generally adopted in India in connection with export markets. Thus the pricing decisions are very different ones. It also
involves sales forecasting, i.e. an estimate of the possible total demand for all products produced by the enterprise.

Pricing decisions have strategic importance in any enterprise. Pricing governs the very feasibility of any marketing programme because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives come into prominence in many pricing decisions.

**Price:**

In *Economics*, price has been defined as the exchange value of a product or service which is always expressed in monetary terms. To the consumer price is an agreement between the seller and buyer concerning what each is to receive. Price is the mechanism or device for translating into quantitative terms the perceived value of the product to the consumer at a point of time. Keeping all the relevant factors and variables into consideration we shall define the price as the amount charged for the product or service including any warranties or guarantees, delivery, discounts, services or other items that are part of the conditions of sale and are not paid for separately. To the buyer price is a package of expectations and satisfactions. In this way, price must be equal to the total amount of benefits (physical, economic, social, ecological and psychological benefits). To the ultimate consumer, the price he pays for a product or service represents a sacrifice of purchasing power. Price is the only objective criterion (but not a perfect measure) for the consumer for comparing alternative items and making the final choice. However, to the seller price is a source of revenue and a main determinant of profit.
Pricing is the total product offering which includes a brand name, a package, product benefits, after-sale service, delivery, credit and so on. From the marketer’s point of view, the price also covers the total market offering, i.e. the consumer is also purchasing the information through advertising, sales promotion and personal selling and distribution method that has been adopted. The consumer gets these value and also covers his costs. Price is the money value of a product or service agreed upon in a market transaction. Actually price is a bundle of expectations or satisfactions. These expectations may be physical product plus other attributes such as delivery, installation, credit, return privileges, after-sales servicing and so on.

**Pricing as a Key to Successful Marketing**

As already discussed that price is a matter of vital importance to both the seller and the buyer in the market. In this money economy no marketing is possible without prices. When a buyer and a seller agree on some price, only then exchange of goods and services leading to transfer of ownership is possible. In a competitive market economy, price is determined by free play of demand and supply. The price regresses with changing demand and supply conditions. The going market price acts as a basis for fixing the sales price. An individual seller is not in a position to change current market price. Modern free market economy is characterised by freedom to enter into some contract, freedom to undertake any legal enterprise, free competition and legal right to own private property. Price regulates business profits, advocates the economic resources for optimum production and distribution. In true sense, price is the prime regulator of production, distribution and consumption of goods.
Economics revolves around pricing of not only consumable items but resources also.

The whole consumer behavior largely depends upon pricing of products and services. Price influences consumer purchase decisions as it reflects purchasing power of currency. Price is the factor which determines the general living standards. In a nutshell it may be put that every facet of our economic life is directly or indirectly governed by pricing which is evident from our money and credit economy. The financial objectives of the enterprise depend upon marketing actions which are connected with pricing decisions. Among the most important marketing variables influenced by pricing decisions are:

(i) sales volume,
(ii) profit margins,
(iii) rate of return on investment,
(iv) trade margins,
(v) advertising and sales promotion,
(vi) product image,
(vii) new product development.

Therefore, pricing decisions play a very important role in the design of the marketing mix. Price is a powerful marketing instrument. As a marketing weapon, it is just like big-gun. However, it must be used with great caution. It is a dangerous and explosive marketing force. It may doom a good product to failure. Low pricing strategies are irreversible decisions. These must be used correctly from the outset. Every marketing plan involves a pricing decision. Therefore, all marketing planners must make accurate and planned pricing decisions. The selling price plays a unique role in business because the price level:-

1. Controls the sales volume and the firm’s market share,
2. Determines the total sales revenue,
3. Regulates the rate of return on investment (ROI) and through ROI price influences sales profitability,
4. Creates an impact on unit cost in mass production.

If the inputs are got at low price it would result in increase in total production and hence total sales turnover, and ultimately, mass production (through economies of scale) leads to the lower unit cost of production. Low price induces efficiency also in production and marketing. **Henry Ford** commented, “Our policy is to reduce the price, extend operations and improve the product”.

The following conclusions may be drawn from the analysis of price, pricing and price strategy-

- All other elements (except price) in the marketing mix are called non-price factors. They influence price and are also influenced by price. All elements are interdependent interacting factors.
- Two relationships have been established in the analysis – (a) Cost/Price relationship and (b) Price/Revenue relationship.
- Price and other marketing mix variables are complementary factors. They may be partial substitutes for each other.
- All the elements in marketing mix together collaborate to accomplish a common objective, viz., to produce sales and sales revenues.
- All non-price factors of the marketing mix are cost factors involving expenditure outflow of funds.
- Price is the only marketing variable to determine revenues or income-inflow of funds. Revenues must be high and must exceed production costs as well as marketing costs. In this way, price has a unique role extending beyond the area of marketing policy.
- An enterprise produces economic utilities. Within an enterprise, price factor tries to achieve equilibrium between revenue and costs. It aims at profitability. Hence, revenues must exceed total costs. Price also acts as a balancing force to maintain the balance between enterprise’s own marketing mix and that those of rival firms.

**Survey Results**

As earlier stated, the small industry products manufactured in Uttarakhand have been grouped into 10 commodity groups. The following table shows pricing policy & strategy adopted in the pricing of these commodity groups:

**Table 2.2**

**Pricing Policy & Strategy adopted by various Small Industry Commodity Groups (figures in Percentage)**

<table>
<thead>
<tr>
<th>Pricing Policy &amp; Strategy</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-Plus</td>
<td>12</td>
<td>32</td>
<td>54</td>
<td>21</td>
<td>16</td>
<td>27</td>
<td>36</td>
<td>14</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>Value-Based</td>
<td>28</td>
<td>06</td>
<td>08</td>
<td>13</td>
<td>09</td>
<td>05</td>
<td>04</td>
<td>02</td>
<td>04</td>
<td>04</td>
</tr>
<tr>
<td>Competitive</td>
<td>06</td>
<td>08</td>
<td>09</td>
<td>47</td>
<td>62</td>
<td>30</td>
<td>22</td>
<td>32</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Going-Rate</td>
<td>18</td>
<td>40</td>
<td>26</td>
<td>07</td>
<td>08</td>
<td>36</td>
<td>32</td>
<td>48</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Skimming</td>
<td>36</td>
<td>14</td>
<td>03</td>
<td>12</td>
<td>05</td>
<td>02</td>
<td>06</td>
<td>04</td>
<td>02</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source**: Based on Survey

Here it is noteworthy to mention that the figures mentioned in the above table have been arrived at by dividing the sales volume effected by
pricing policy concerned with the total sales volume of the commodity
group concerned. If performance of different pricing policies is assessed,
average of all the ten commodity groups will have to be taken which is
registered 25.4; 8.3; 30.2; 25.3; and 10.8 percent respectively. The
analysis reveals that competitive price policy has been followed in case of
30.2 percent of total sales volume. Cost plus pricing has been used in
case of 25.4 percent of total sales volume while going rate policy was
followed for 23 percent of total sales. Skimming pricing was utilized for
10.8 percent of total sales volumes only as variety of cheap substitutes are
available in the market. Value based pricing was used only for 3 percent
of total sales volume which is least of all.

The goal of marketing be quality products with efficient service to the
customers. The price be more competitive. Differential pricing strategy
should be adopted so as to reach a large number of customers. The small
scale industrial units in Uttarakhand generally followed cost plus pricing
method at initial stage to penetrate the market as well as to survive
themselves as the financial resources of these units are limited. In our
survey, it has been observed that price list is based on cost plus 30
percent. Discounts are allowed upto a maximum 22 percent. Commercial orders are won by tenders. Tender applications are cost plus
a determined by the order size. The pricing has been observed keeping
into consideration profitability, stability and long term growth. The other
elements of marketing mix viz, product, place and promotion incur cost
in this or that way which should be least while price brings revenue. So
efforts are made to maximize total revenue so that all relevant costs may
be covered and the resultant outcome is profit. The following table
reveals the profitability position of small scale industries in Uttarakhand:
Table 2.3
Profitability Position of Small Industry Commodity Groups (figures in Percentage to total Revenue)

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>Average Cost of Production</th>
<th>Average Marketing Cost</th>
<th>Average Profit margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>76.1</td>
<td>5.3</td>
<td>18.6</td>
</tr>
<tr>
<td>Packaging</td>
<td>81.9</td>
<td>3.4</td>
<td>14.7</td>
</tr>
<tr>
<td>Furniture</td>
<td>81.7</td>
<td>2.1</td>
<td>16.2</td>
</tr>
<tr>
<td>Engineering Goods</td>
<td>84.2</td>
<td>2.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Electronic Items</td>
<td>77.6</td>
<td>4.8</td>
<td>17.6</td>
</tr>
<tr>
<td>Plastic Goods</td>
<td>86.1</td>
<td>2.6</td>
<td>11.3</td>
</tr>
<tr>
<td>FMCG</td>
<td>76.7</td>
<td>6.9</td>
<td>16.4</td>
</tr>
<tr>
<td>Automobiles</td>
<td>74.1</td>
<td>4.7</td>
<td>21.2</td>
</tr>
<tr>
<td>Textiles</td>
<td>85.9</td>
<td>2.3</td>
<td>11.8</td>
</tr>
<tr>
<td>Edible Items</td>
<td>82.2</td>
<td>3.9</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Sources: Based on Survey

Note: The above figures are based on the actual accounting data provided by the concerned sample units.

By the analysis of the data given in the above table it is clear that marketing cost as a percentage to selling price is highest in case of FMCG as there is tough competition in FMCG market and the units are trying their best to remain in market through enhanced expenditure on the marketing. Marketing cost in case of furniture is lowest as it is localized item which no much propagation and hence low marketing needs cost. The marketing cost in case of pharmaceuticals stood at 5.3 percent while in case of other commodity group it ranges between 2 to 5 percent.
profit margin is highest in case of automobiles (21.2 percent). Pharmaceuticals stood at second place (18.6 percent) while electronic items stood at third place (17.6 percent). The FMCG which play significant role in consumer items stood at fourth place with a profit margin of 16.4 percent. In no commodity group the profit margin is below 11 percent which is deemed to be a satisfactory rate of return. The units under study failed to supply data relating to fixed overheads, this is why net profit could not be calculated but with the help sales data. We could be able to arrive at growth rate in sales given as under:

Table 2.4
Growth in sales in SSI products in Uttarakhand

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Commodity Group</th>
<th>Growth rate in Sales (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pharmaceuticals</td>
<td>11.0</td>
</tr>
<tr>
<td>2</td>
<td>Packaging</td>
<td>6.2</td>
</tr>
<tr>
<td>3</td>
<td>Furniture</td>
<td>8.0</td>
</tr>
<tr>
<td>4</td>
<td>Engineering Goods</td>
<td>10.0</td>
</tr>
<tr>
<td>5</td>
<td>Electronic Items</td>
<td>12.5</td>
</tr>
<tr>
<td>6</td>
<td>Plastic Goods</td>
<td>13.2</td>
</tr>
<tr>
<td>7</td>
<td>FMCG</td>
<td>3.4</td>
</tr>
<tr>
<td>8</td>
<td>Automobiles</td>
<td>9.0</td>
</tr>
<tr>
<td>9</td>
<td>Textiles</td>
<td>7.8</td>
</tr>
<tr>
<td>10</td>
<td>Edible Items</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: Published records of sample units.

By the analysis of the data given in the table 2.4 it may be concluded that the growth rate in sales has been registered in plastic goods while electronic items stood at second place. The growth rate in sales pharmaceuticals has been registered 11 percent. The growth rate in rest of the commodity groups has been registered below or equal to 10 percent.
Place:

Place decisions really comprise two related areas of decisions. Enterprises usually make their goods and services in places which are convenient for production, but consumers prefer to buy them where the purchase process is easiest. So, place decisions involve determining how easy an enterprise wishes to make it for consumers to gain access to its goods and services. In the first place, this involves deciding which intermediaries to use in the process of transferring the product from the manufacturer to the final consumer. Secondly, it involves deciding how to move and handle the product as it moves from manufacturer to the final consumer.

Survey Results:

Efforts were made to make the products available to the all selected segments. For distribution own delivery vans were used in case of pharmaceuticals, plastic goods and edible items. For rest of the items hired vans have been used. The performance of small scale industrial units of Uttarakhand in the field of place (i.e. distribution) could not be quantified, hence customers responsiveness was assessed on the bases of Likert’s 5 point scale given as under:
Table 2.5

Distribution performance of small industries enterprises of Uttarakhand

<table>
<thead>
<tr>
<th>S.No</th>
<th>Distribution Practices</th>
<th>Name of Units by Commodity Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>1</td>
<td>Consumers are getting products in time</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Consumers have choice of selection of goods</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>The breakage or damage in transporting is minimum</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Distribution cost is optional</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Distribution channels are engaged in effective and sincere promotional activity.</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>The location of godown is effective</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Environmental hazards are minimum</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>The display and storage of goods is effective</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Total Scores</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Mean Score</td>
<td>4.5</td>
</tr>
</tbody>
</table>

By the analysis of the above table it is clear that the pharmaceuticals stand at the top with highest average score of 4.5 which means it enjoys or fulfills near about 90 percent (4.5/5*100) of distribution requirements. Plastic goods and automobiles have been registered at second place with mean score of 4.375 i.e. 87.5 percent of highest score of 5. Furniture stands at lowest of 3 which shows that the distribution system in case of furniture is weakest of all commodity groups. These scores of distribution practices have direct impact on the sales effected. As a whole it may be concluded that the distribution system as regards small industry products has been satisfactory.
**Promotion:**

In a competitive market no product may be sold without promotion. Promotion is the spark plug of our marketing mix and an important market strategy. Promotion is a form of communication with an additional element of persuasion to accept ideas, products, and services and hence persuasive communication becomes the heart of promotion, the third element of marketing mix. In marketing, effective communication is absolutely necessary even though you have a superb product, best package and also you offer a fair price. People will not buy your product, if they have never heard of it and they are simply unaware of its existence. In this way sale of product largely depends upon promotional efforts of the enterprise.

**Promotion as a Stimulus to Marketing:**

Promotion is the process of marketing communication to inform, persuade, remind and influence consumers or users in favour of your product or service. Promotion has three specific purposes. It communicates marketing information to consumers, users and resellers. Promotion persuades and convinces the buyer and influences his/her behaviour to take the desired action. Promotional efforts act as powerful tools of competition providing the cutting edge of the entire marketing programme. Promotion may be defined as “the co-ordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas or points of view”. It is a form of non-price competition. It is responsible for awakening and stimulating consumer demand for the product. It can
create and stimulate demand, capture demand from rivals and maintain demand for the products even against keen competition.

**Promotion Mix:**

The promotion mix includes four ingredients, viz., (i) advertising, (ii) publicity, (iii) personal selling, and (iv) all forms of sales promotion. All forms of promotion try to influence consumer’s attitudes, beliefs, ways of living or life-style, values and preferences towards a company and its products, and thereby influence his/her behaviour. The four ingredients of promotion mix are discussed as under;

1. **Advertising:** It is a paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor. It is impersonal salesmanship for mass selling, a means of mass communication.

2. **Publicity:** It is a non-personal stimulation of demand for a product, service or a business unit by placing commercially significant news about it in a publication or obtaining favourable presentation of it upon radio, television, or stage that is not paid for by the sponsor.

3. **Personal Selling:** It is the best means of oral and face-to-face communication and presentation with the prospect for the purpose of making sales. There may be one prospect or a number of prospects in the personal conversation.

4. **Sales Promotion:** It covers marketing activities other than advertising, publicity and personal selling that stimulate consumer purchasing and dealer effectiveness. Such activities include displays, shows, exhibitions, demonstrations and many other non-routine selling efforts at the point of purchase. Sales promotion tries to compliment the other means of promotion as given above.
All the four elements of promotion play the role of communication channels between the marketer (the source and the sender of message) and the consumer (the receiver of the message). Promotion which is in itself an element of marketing mix has three broad objectives: (a) information, (b) persuasion, and (c) reminding. The overall objective of promotion is, of course, influencing the buyer behaviour and his predispositions (needs, attitudes, goals, beliefs, values and preferences). If we evaluate the role of promotion mix elements in all stages of the selling process, we find that publicity is more effective in the awareness stage; advertising gradually becomes less and less effective over a time span which makes reminder advertisement a necessity. Personal selling becomes more and more effective as interpersonal interaction assumes increasing importance. Closing of sales needs not only personal selling but also sales promotion tools at the point of purchase in order to promote additional incentives for buyer’s action.

Eventually, it may be put that promotion is used by enterprises to communicate the benefits of their products to their target markets. Promotional tools include advertising, personal selling, public relations, sales promotion, sponsorship, and increasingly direct marketing methods. Just as product ranges need to be kept up-to-date to reflect changing customer needs, so too promotional methods need to be responsive to changes in a firm’s operating environment. Promotion decisions need to be taken on the basis of advertising or promotional expenditure. Media selection, message content, timing of promotion and campaign plans are all part of promotional activity.
Survey Results:

In our survey as regards promotional activities, it has been observed that more emphasis has been laid at the retail end of the business. Majority of the sample units have used effective packaging to promote name of their firms/companies. The advertising remained limited to local press only. For some products points of sale are being used as promotion tool. The following table reveals use of promotion mix in small scale industries of Uttarakhand:-

Table 2.6
Promotion Mix in Small Scale Industries of Uttarakhand

<table>
<thead>
<tr>
<th>Name of Promotion Tool</th>
<th>Number of Small Scale Units using Promotion Tool</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>18</td>
<td>45.0</td>
</tr>
<tr>
<td>Publicity</td>
<td>11</td>
<td>27.5</td>
</tr>
<tr>
<td>Personal Selling</td>
<td>4</td>
<td>10.0</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>7</td>
<td>17.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Based on survey.

The data in the above table reveal that 45 percent of the SSI units have adhered to advertising for promotion while 27.5 percent of the units under study followed publicity to enhance sales. Sales promotion tools were by the 17.5 percent of the total small scale units while 10 percent of the sample units resorted to personal selling which is generally used for small and handy items. Really, promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a consumer to make choice of the product to be bought.
Promotion is done mainly with a view to provide information to prospective consumers about the availability, characteristics and uses of a product. It arouses potential consumer’s interest in the product compare it with competitors’ product and make his choice. In modern times, the proliferation of print and electronic media has immensely helped the process of promotion.

Our survey has shown that personal selling focuses on the role of a sales person in communication plans. Sales persons tailored communication to customers and proved very important in building relationships. As far as promotion cost is concerned, personal selling proved costly but it proved an effective promotion tool. The following table reveals sales promotion effected in percentage of small scale industries of Uttarakhand:

**Table 2.7**

**Sales Promotion Effected in Small Scale Industrial Units of Uttarakhand**

<table>
<thead>
<tr>
<th>Promotion Media</th>
<th>Percentage Increased Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theme Advertising</td>
<td>3.9</td>
</tr>
<tr>
<td>Public Relations</td>
<td>1.4</td>
</tr>
<tr>
<td>Cable T.V.</td>
<td>0.8</td>
</tr>
<tr>
<td>Print Media</td>
<td>2.7</td>
</tr>
<tr>
<td>Personal Selling</td>
<td>2.9</td>
</tr>
<tr>
<td>Gifts &amp; Discounts</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18.3</strong></td>
</tr>
</tbody>
</table>

By the analysis of the data in table 2.7 it may be concluded that gifts & discounts play a significant role in boosting sales. An increase of 6.6 percent has been recorded as a result of gifts and discounts. The reason behind it is tough competition in the market. The price war has adversely
affected sales of consumer items in the market. There has been an increase of 3.9 percent in sales volume is a result of theme advertising. Personal selling also played an important role in promoting sales by 2.9 percent while the contribution of print media has been recorded 2.7 percent. Public relations did also promote sales by 1.4 percent but the contribution of cable T.V, has been quite insignificant.

References

2. Davar, Rustom S: Modern Marketing Management, Universal Book Stall, New Delhi, 1999 p.16
3. Ibid. p.18