Chapter IV

Marketing Strategies and Purchase Decision Process:
A comprehensive framework
CHAPTER-IV

MARKETING STRATEGIES AND PURCHASE DECISION PROCESS: A COMPREHENSIVE FRAMEWORK

4.1 THE MARKETING PLAN OR STRATEGY OPERATES AT TWO LEVELS

- THE STRATEGIC MARKETING PLAN develops the broad marketing objectives and strategy based on an analysis of the current market situation on opportunities.

- The TACTICAL MARKETING PLAN outlines the specific marketing tactics for the period including advertising, merchandising, pricing, channel, service, and so on.

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<td>Customer segmentation</td>
<td>Market selection/ focus</td>
<td>Value positioning</td>
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Fig 4.1
Marketing Plan: The Value Creation and Delivery Sequence

4.2 CONCEPTS AND GROUND RULES IN MARKETING AND MARKETING STRATEGIES

Consider the fact that to-day's customers face a plenitude of products in every category. Consider that customers exhibit varying and diverse requirements for product service combinations and prices. Consider that they have high and rising expectations of quality and service.
4.2.1 Five competing marketing concepts

1. The production concept

Consumers will favour those products that are widely available and low in cost. The aim is to achieve high production efficiency and wide distribution coverage.

2. The product concept

Consumers will favour those products that offer the most quality, performance, or innovative features. The aim is to focus energy on making superior products and improving them over time.

3. The selling concept

Consumers, if left alone, will ordinarily not buy enough of the organisation's products. The aim is to undertake an aggressive selling and promotion effort.\(^2\)

4. The marketing concept

The key to achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.\(^3\)

5. The societal marketing concept

The organisations task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in
4.2.2 Buying decision process: A means to strategise

Stage model

In complex buying behaviour, the buyer goes through five-stage decision process. The marketers job is to understand the buyer's behaviour at each stage and what influences are operating.

The five stages are:

1. Need recognition

   The buying process starts when the buyer recognises a problem or need. The need can be triggered by internal or external stimuli. The marketer needs to identify the circumstances that trigger a particular need. By gathering information from a number of consumers, the marketer can identify the most frequent stimuli that spark an interest in a product category. The marketer can then develop marketing strategies that trigger consumer interest.

2. Information search

   An aroused consumer will be inclined to search for more information. Of key interest to the marketer are the major information sources that the consumer will turn to and the relative influence each will have on the subsequent purchase decision.
These sources are:

Personal sources: Family, friends, neighbours, acquaintances

Commercial sources: Advertising, sales persons, dealers, packaging, displays

Public sources: Mass media, consumer rating organisations.

Experiential sources: Handling, examining, using the product.

The relative amount and influence of these information sources vary with the product category and the buyer's characteristics. Each information search performs a somewhat different function in influencing the buying decision. Commercial information normally performs an informing function, and personal sources perform legitimising and/or evaluation function.

A company must "strategise" to get its product/brand into the prospect's awareness set, consideration set, and choice set. Furthermore, the company must identify the other products/brands in the customer's choice set so that it can plan its competitive appeals.

3. Evaluation of alternatives

There is no simple and single evaluation process used by all consumers or even by one consumer in all buying situations. There are several decision evaluation processes. The consumer
is seen to be forming product judgements largely on conscious and rational basis.

The consumer sees each product as a bundle of attributes with varying capabilities of delivering the sought benefits and satisfying his/her need. The most salient attributes may not be the most important ones. Marketers should be more concerned with the importance of attributes than with their salience.

They should measure the important weights that consumers attach to the various attributes. Most buyers will consider several attributes but place different weights on them. The consumer arrives at attributes (judgements, preferences) toward the brand alternatives through an evaluation procedure. Consumers have been found to apply different evaluation procedures to make a choice among multiattribute objects.

Strategies a marketer should apply to generate interest are:

Modify the products, after beliefs about the competitors brands, alter the important weights, call attention to neglected attributes and shift the buyer’s ideals.

4. Selection and purchase

In the evaluation stage, the consumer forms preferences among brands in the choice set. The consumer may also form a purchase intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and
the purchase decision. They are attitudes of others and unanticipated situation factors.9

A consumer's decision to modify, postpone or avoid a purchase decision is heavily influenced by perceived risk. Expensive purchases involve some risk taking.10 A consumer develops certain routines for reducing risk, such as decision avoidance, information gathering from friends, and preference for national brand names and warranties. The marketer, must understand the factors that provoke a feeling of risk in consumers and provide information and support that will reduce the perceived risk.

5. Post purchase behaviour

After purchasing the products, the consumer will experience some level of satisfaction or dissatisfaction.11 The consumer will also engage in post purchase actions and product uses of interest to the marketer. The marketer's job does not end when the product is bought but continues into the post purchase period.12

4.3 TARGET MARKETING

Target marketing is the decision to distinguish the different groups that make up a market and to develop corresponding products and marketing mixes for each target market. The key steps in target marketing are:
4.3.1 Market segmentation

The act of dividing a market into distinct groups of buyers with different needs or responses. The marketer tries different variables to see which reveal the best segmentation opportunities. For each segment, a customers - segment profile is developed.\textsuperscript{13} Segmentation effectiveness depends on arriving at segments that are measurable, substantial, accessible, differentiable and actionable.\textsuperscript{14}

1. Targeting

The best market segment(s) is to be targeted. In choosing target segments, marketers need to consider segment interrelationships and potential segment invasion plans.

2. Product positioning

Tracy and Wierserma recently distinguished three strategies of positioning the marketing offer that lead to successful, differentiation and market leadership\textsuperscript{15}:

- **Operational excellence** – providing customers with reliable products or services at competitive price and easy availability.

- **Customer intimacy** – knowing customers intimately and being able to respond quickly to their specific and special needs.

- **Product leadership** – offering customers innovative products and services that enhance the customer's utility and outperform competitors products.
Thus a company can win by operating its business better, knowing its customers better, or consistently making better products.

Positioning is the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's minds. Positioning calls for the company to decide how many differences and which differences to promote to the target customers.

4.4 SEGMENTATION STRATEGIES

Once a firm has evaluated marketing opportunities and selected one or more segments for targeting, it must decide what type of segmentation strategy will be most effective. The segment of the market served could relate to buyer groups, geographic areas, product lines, or any other significant way.

Firms can target one or several to products to one or more segments, producing the four alternative strategies of 16:

1. Concentrated segmentation
2. Market-segment expansion
3. Product-line segmentation
4. Differentiated segmentation

4.4.1 Concentrated segmentation

Involves targeting one product to one segment. This type of appeals to smaller firms with limited resources. These firms become profitable by gaining a strong market position in one segment.
4.4.2 **Market-segment expansion**

These firms target one product to several segments. Market base for one product is expanded. The strategy offers the advantage of being able to increase a product's potential profitability. The strategy is viable, however, only if specific segments have well-defined needs for the same product, and if appeals directed to one segment will not alienate another segment.

4.4.3 **Product-line segmentation**

Here, several product's are directed to one segment. These several products being directed to the one segment are usually part of a single product line.

4.4.4 **Differentiated segmentation**

Larger firms operate in several segments by targeting several specific products to each.

4.5 **MARKET SEGMENTATION**

4.5.1 **Multisegment approach**

- Multiple offerings to two or more market segments
- The heterogeneous wants and desires of sub-markets are recognised

4.5.2 **Market-concentration strategy**

- This strategy focuses on efforts to serve one market segment.
- Company can achieve a strong market position because of its greater knowledge of the desires and wants of a specific submarket.
4.5.3 Benefit segmentation

- Focuses on those benefits that are associated with the product.
- Used to determine what benefits or problems exist and what importance they have in a purchase decision.
- Benefits that can be identified are:
  - Economy
  - Service
  - Convenience
  - Prestige
  - Product configuration

Benefit analysis is useful in the diagnosis of markets and determination of a direction for the marketing strategy. It is often used to pinpoint 'why' consumers are purchasing. Demographic or geographic or other variables are then used to direct the marketing strategy to the target market.

4.6 MARKET AGGREGATION

This approach, also called "undifferentiated marketing," results in one offering aimed at the total market. Market aggregation does not recognise market segments. Instead its tries to satisfy the greatest number of buyers with a single product. Single offering, developed from a single marketing strategy, is used to appeal to the total market.

When a market-aggregation approach is taken, a product-differentiation strategy is frequently used. PRODUCT DIFFERENTIATION, used
must often when the product is physically similar to others, is a \textit{strategy} attempting to distinguish it from the field of competing products.

\section*{4.7 PRODUCT POSITIONING}

Once a company has decided which market segments to enter, it must position products to meet the needs of these segments. Positioning involves communicating product benefits to customers. There are various ways to position products to communicate benefits.\textsuperscript{19}

- by focussing on product features
- solutions to problems
- symbols
- comparisons with competition

\subsection*{4.7.1 Positioning strategy\textsuperscript{20}} consists of an integrated combination of product or service, distribution, price and promotion strategies. It establishes how a product or brand is intended to be perceived by the target market relative to competitors' offerings.

The selection of positioning strategy involves identifying competitors, relevant attributes, competitor positions, and market segments. The positioning decision is often the crucial strategic decision for a company or brand because the position can be central to customers' perception and choice decisions.

Projecting attributes and benefits that provide an image in the buyers' mind is crucial in positioning. Positioning is a natural progression when market segmentation is used.
There are seven ways to position a product.\textsuperscript{21}

1. Positioning a specific product feature
2. Positioning a benefit
3. Positioning for a specific usage
4. Positioning for a user category
5. Positioning against another product
6. Product class dissociation
7. Hybrid bases

**Positioning strategies\textsuperscript{22}**

- Attribute positioning
- Benefit Positioning
- Use/Application positioning
- User positioning
- Competitor Positioning
- Product category positioning
- Quality/price positioning

The product positioning strategy will enable the planning of **COMPETITIVE MARKETING STRATEGIES.**

4.8 **PRODUCT LIFE CYCLE**

Most products pass through stages of introduction, growth, maturity and decline. The product life cycle concept proposes that a manager can develop marketing strategies depending on where a brand or product is in its life cycle.\textsuperscript{23}
Introductory phase – Creating awareness (Establishment)
Growth phase – Communicating benefits (Reinforcement)
Maturity phase – Product differentiation (Revitalisation)
Decline phase – Innovation (Revival)

4.9 MARKETING MIX

4.9.1 Speciality goods\textsuperscript{24} (EMD equipment)

Consumer purchasing characteristics
- Infrequent purchases
- Highest involvements
- Purchases by brand loyalty

Strategic characteristics
- Highest price
- Exclusive distribution
- Unique brand
- Importance of personal selling

4.9.2 Installations and accessories

Customer purchasing characteristics
- New buy
- Purchased by buying centre

Strategic characteristics
- Managed based on product performance
- Salesforce requires technical expertise
- Price not a determining factor
style leader, the technology leader and so on; but it is hardly possible to be all of these things.

3. Focus

Focussing on one or more narrow market segments rather going after a large market. The company gets to know the needs of these segments and pursues either cost leadership or a form of differentiation within the target segment.

4.11 PROMOTION

All marketers must communicate with their target markets. Promotion is another term for the efforts of marketers to communicate with their target markets and other publics. A strategy is to be developed that will best meet promotional objectives.27

Gain maximum trial for new product: Sales promotion through free samples, coupons
Gain brand awareness and positive image: Advertising
To demonstrate complex product features: Personal selling

4.11.1 Promotion: A strategic viewpoint28

Promotion can be used effectively as a strategic variable in the marketing strategy, the marketing mix, and the marketing plan. The marketer uses promotion to stimulate the buyer and obtain a desired response. The marketer must discover circumstances favourable to the use of promotion elements in the marketing strategy. Promotion has a catalytic function in the marketing strategy. Since demand is an
uncontrollable force, promotion is used to shift demand and expedite the buyer decision process. Promotion is used to catalyse transactions.

The promotion plan should be designed to induce buying action or to support the buyer decision process. Promotion moves the buyer to a decision by facilitating the flow of information that can persuade the buyer to purchase. Promotion makes the offering visible to buyers. Promotion can direct the marketing strategy to the desired target market. Different elements of the promotion mix may be used:

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4.11.2 Trade shows

Trade shows are typically sponsored by trade associations. Member firms exhibit their products in rented booths at the show. Manufacturers use shows to introduce new products, demonstrate nonportable equipment, build customer goodwill, discover new uses for existing products, observe competitive offerings, generate publicity, and meet prospective new dealers and distributors. Participating in trade shows provides manufacturers with the opportunity to reach potential buyers in an efficient manner at a reasonable cost.

4.11.3 Product publicity

Product publicity has been defined as the activity "for securing editorial space, as divorced from paid space, in all media read, viewed, or heard
by a company’s customers and prospects, for the specific purpose of assisting in the meeting of sales goals."

Product publicity can and often does play an important role in the marketing process. In today’s inflationary economy, with profit margins under constant pressure, it becomes increasingly important to improve marketing efficiency, particularly in product introduction. One way of accomplishing this goal is to use product publicity to a greater extent than most companies now do. A well-planned and well-executed publicity campaign may yield an even greater return than the investment in sales promotion, advertising or even the addition of extra salesmen.

4.11.4 Sales promotion

Sale promotion covers a wide variety of short-term incentive tools designed to stimulate consumer markets, the trade and organisations own sales force. Business promotion tools include trade shows/conventions, sales contests and speciality advertising. Consumer promotion tools include samples, cash refund offers, price, packs, premiums, free trials, product warranties, and tie-in promotions.

4.11.5 Sales force strategy

Companies compete with other companies to get orders from customers. They must deploy their sales forces strategically so that they call on the right customers at the right time and in the right way. Salesforce strategy involves deciding what types and mix and selling approaches are most effective. Various strategic ways are:
Solo selling
- Team selling
- Conference selling
- Seminar selling

The purpose of the salesforce is three-fold:

1. Selling
2. Negotiating
3. Relationship marketing

![Diagram of multi-step model for industrial marketing]

Fig 4.2
Typical Multi-step Model for Industrial Marketing

4.12 CHANNEL SYSTEMS (Distribution)

A channel system is a system of interdependent businesses composed of manufacturers and intermediaries designed to deliver the right set of products to consumers at the right place and time. Manufacturers of special goods use distributors (wholesalers) and agents, while consumer goods manufacturers also use retailers and brokers in addition to wholesalers to distribute their goods. Both also have the
option of selling directly to buyers, although this is more used by speciality goods marketers. Agents are used to bring buyers and sellers together.  

Manufacturers, wholesalers, or retailers can administer the distribution activities – design, make, brand, price, promote, buy, stock, display, sell, deliver, finance – as the product moves to the consumer.

Franchise system is a contractual system in which a parent company grants an intermediary the right to sell its products on an exclusive basis.

Manufacturers must make key decisions regarding distribution strategies. They must first identify the alternative distribution systems available, evaluate the distribution environment – namely, the nature of customer demand, competitive influences, legal regulations, and product and company characteristics. On this basis, the channel structure can be determined. Once the channel is selected, manufacturers are in a position to develop, distribution strategies.

Marketing channels create utility, improve exchange efficiency, and help in the process of matching supply and demand.

4.12.1 Designing the channel strategy

The channel's prime requirement is to enhance effective delivery of the customer-value proposition. In this support role, the channel must meet the requirements of:

1. Effectiveness – ability to address customers' stated and unstated requirements
2. Coverage
3. Cost-efficiency
4. Long-run adaptability – ability to handle possible new products and services and incorporate emergent channel forms

Firms will distribute directly when they want to closely control selling, serving and pricing or have only a few readily identifiable customers. Companies prefer to use intermediaries because of their wide coverage, experience and specialised distribution.

Theoretically, the higher the required investments in specialised assets for servicing the end customer, the more appropriate are direct channels. With accelerating product life cycles, proliferation of products, and fragmentation of customer segments, multiple channel approaches are often the only way to provide market coverage. Even if multiple channels are necessary to reflect market plurality, each channel is clearly specialised to serve a specific buying pattern.

Fig 4.3
Multiple Channels
In the health care industry, there are many composite channels.

4.12.2 Distribution strategy

Distribution Strategy is the determination of the chief way a company will sell its products to designated end markets. It is not simply a matter of whether to sell through one type of retailer versus another but whether the firm should use retailers at all in relation to other possible systems of distribution. The marketer must try to distinguish all of the major channel alternatives and use some method of analysis to evaluate the relative value of each. Lillien (1979) found certain important variables among product and market factors for classifying and predicting the channel of distributors:

1. **Size of the firm**

   As firms grow larger, they are better able to support a company-owned (direct) distribution channel.
2. **Size of average order**

As the average order size increases, direct distribution becomes more economical.

3. **Technical-purchase complexity**

The greater the importance of technical service to the products success and the more important the buyer views the purchase, the more likely is direct distribution.

4. **Stage in the product life cycle**

A new or growing product is more likely to use a captive form of distribution than a product whose sales have levelled off or are declining.

5. **Degree of standardisation**

A product that is complex, unique, or made to order is more frequently sold directly.

6. **Purchase frequency**

Frequently purchased products require less selling effort to make a sale and are therefore less frequently sold directly.

The model can serve as a checklist of variables and their relative importance for decisions concerning the directness of distribution for industrial type products.
4.13 QUALITY AND SERVICE

Companies can track public perceptions of quality by surveying existing and potential customers. Because servicing needs vary during a product's life, companies must keep in touch with customers to learn which needs are most important.39

Quality should be primarily customer-driven, not technology-driven, production-driven, or competitor-driven.

Besides its usual function, customer service can act as an early warning system to detect product quality problems. The quality of CUSTOMER SERVICE after the sale is often as important as the quality of the product itself. Poor customer service can quickly negate all the advantages associated with delivering a product of superior quality, though the contrary is not true.

An excellent customer service operation can be an effective means of accomplishing the following objectives:

1. Differentiating a company from competitors
2. Generating new sales leads and discouraging switches to alternative suppliers.
3. Reinforcing dealer royalty

4.13.1 Service support strategy40

Service support is a major area in the evolving strategic emphasis. Both customers and manufacturers are focusing on service as the key differentiator. Buyers today are demanding ever higher levels of service
support. This will have a profound impact on the role of **AFTER SALES SERVICE** in marketing strategy.

Firms use a variety of approaches in meeting their customers' service support needs.

1. **Design-related strategies** focus on increasing product reliability, etc.

2. **Support system-related strategies** concentrate on the way service is provided in order to reduce the costs incurred by customers when equipment fails.

3. **Strategies that reduce customer risk include warranties and service contracts.**

### 4.14 PRODUCT DEVELOPMENT AND INNOVATION

Organisations are increasingly recognising the necessity and advantages of regularly developing new products and services. Their more mature and declining products must be replaced by newer products.

New products, however can fail. The **risks of innovation are as great as the rewards.** The key to successful innovation lies in developing sound research and design procedures at each stage of the new product development process. Marketers try to bring their new products to attention of potential early adopters, particularly those with opinion-leader characteristics.

Marketing functions aims at ensuring that the requirements of the customers will be continuously taken into account at the design and manufacture stages.
4.14.1 Reasons for developing new products

2. Government subsidies/import substitution
3. Intense competition
4. Gaps in existing product range

4.14.2 Importance of technology in marketing strategy

Fast-changing technology can restructure an industry and quickly alter consumption patterns. Technology seems crucial in a dynamic industry involving computers and microprocessors. It is also useful to firms competing in a mature or even declining market.

Firms should become involved in the innovation process and be prepared to exploit any new opportunities that turn up. Technological advances of several other areas can be applied to develop an innovation. Advances can also be generated within the industry through research and development (R&D).

4.14.3 Product as a strategic variable

Product is a central variable, at the core of strategy. Although price, promotion and distribution can also be very effective, sometimes even overshadowing the product variable, it may be stated that the product normally figures most importantly in strategy, because:

1. Better products are basic to winning and helping customers
2. Growth is a normal objective of the enterprise
How extensively the product variable will be changed at each occasion of strategy decision may be quite different in degree, depending on the outlook and objective.

**Time** is a critical dimension of new products and is fundamental to their usefulness strategically. In deciding strategy, particularly long-range strategy, it is well to begin the search with product, since, that tends to be the primary variable that the other implements support. In the short run, there is a strong possibility that the primary implement should be promotion, distribution, or price, so these should be adequately considered.

### 4.14.4 Role of new-product development in developing marketing strategy

The marketing literature has emphasised the management of new products rather than established ones. Indeed new products appear to be the creative side of products.

### 4.14.5 Product development and market testing

Once prototypes have been products, market research to determine whether the actual product is capable of fulfilling customer needs can begin. Firms often involve the potential customer in the evaluation activity through a technique known as **Beta-site testing**. In this situation the customer is kept closely involved in all aspects of the prototype development programme and, through usage of the test product in their organisation, can provide significant modifications for improving the final product. Advantages of Beta-site testing are:

1. "In-use" problems are recognised before launch.
2. The participants often become the first purchasers of the new product.

3. These organisations also often act as part-time marketers promoting the item to their contacts within their market sector.

4.15 PURCHASE DECISION PROCESS

The person who makes the buying decisions, not the one who actually makes the purchase or uses the product, is most important to marketers. Understanding this person helps marketers develop marketing mixes and predict how targeted customers will respond to them.

4.15.1 Important buying factors

1. Advertising/Sales promotion
2. Customer service
3. Market identity
4. Performance against delivery promise
5. Price
6. Conformance to specifications
7. Product design - functional
8. Product literature
9. Salesperson/agent calibre
10. Salesperson customer coverage
11. Salesperson product knowledge/experience
12. Technical assistance in product use
13. Completeness of product line.
4.15.2 The buying process

The steps which are called buyphases are:

1. Recognising a need
2. Specifying the need
3. Searching for potential suppliers
4. Inviting, acquiring and analysing vendor proposals
5. Selecting the vendor and placing the order
6. Following up

Recognising a need can be influenced by vendor's promotion activity or at a trade show.

Selecting the vendor attributes

- technical support services
- dependable delivery
- reasonable credit terms
- adequate product warranty

Placing the order may be preceded by further negotiation on the products specifications, price, delivery date and so on.

4.15.3 Marketing mix features

Product

1. Vice before the sale
2. After sales service ability
3. Protective packaging
Promotion

1. Personal selling by own salesforce
2. Trade shows
3. Advertising in special media

Place

1. Direct supply from company

Price

1. Negotiation
2. Leasing

4.15.4 How customers evaluate products

Customers balance the benefits of a purchase against its costs. Though the concept is simple, it is difficult to define product benefits and costs in terms of the customer's perspective. The important point here is that the benefits are more complex and subtle than marketers often realise and the costs for the prospective customer are a great deal more than just the seller's price.

4.16 PURCHASE OF EMDE

The purchasing of equipment to provide diagnostic or therapeutic services has to be made after carrying out a number of analyses.

When the equipment is purchased, the capital costs are so heavy that the buyers have to work out the LOAD FACTOR of the equipment.
Medical professionals always emphasize that the help or use of new equipment is quite incomparable as compared to the cost of equipment. However, it has been observed that in some of the centres, the equipment lie idle without sufficient load factor. Whenever new equipment is purchased, the buyers have to ask themselves the following questions.

1. What will be the load factor on the new equipment? Here, the load factor may be analysed not for the current year but also looking into the requirement for the next 2-3 years.

2. What will be the incidental costs to be incurred with the purchase of equipment?

3. What are the running costs of the equipment?

4.16.1 Load factor

Analysing the question of load factor the buyers have to find out the utility of the equipment to the relevant speciality or super-speciality. It is necessary to find out how many consultants of the particular speciality or super speciality are attached to the medical centre.

4.16.2 Incidental costs

The incidental costs of installing equipment are the necessity of an air-conditioner for the equipment, the room area required for installation of equipment, the electrical connection and or voltage stabiliser, and control panels required for the purpose. When buyers consider the purchase of equipment, they should not only consider the cost of equipment, but also the paraphernalia required for the same. The cost
of consumables has also to be taken into account in advance before the purchase of the equipment.

4.16.3 Running costs

The operating cost of an equipment includes the hiring of technician and or gaining specialised training to operate the equipment. If the medical centre has to pay for this training, it should be considered as an item of cost. Sometimes, the training is given free, but travel and stay of personnel involved has to be borne by the buyer.

Other costs are depreciation of the equipment, and the notional cost of interest chargeable on the value of the equipment.

4.16.4 Technology obsolescence

In medical science, a number of bio-medical equipment are developed and marketed year after year. As soon as the new equipment becomes available, medical professionals would like to use them so as to give more sophisticated care to the patients. The technology obsolescence has to be considered when we are considering the load factor for future years.

4.16.5 Maintenance services

The availability of maintenance service for the medical equipment is very important when the buyer is taking a decision about the purchase of a new equipment. The buyer has to consider the reliability of the supplier as well as the availability of its service engineers on time when the equipment is out of order.
4.17 **BUYER CONSIDERATIONS FOR HIGH END EMDE**

Purchasing expensive or sophisticated equipment has to be based on scientific principles of materials management rather than on instinct and experience alone.

4.17.1 **Use coefficient**

To avoid inadequate utilisation of equipment, the use coefficient (UC) is calculated by simple formula,

\[ UC = \frac{N}{M} \times 100 \]

N - No. of hours equipment is likely to be used in a day.

M - Maximum number of hours the equipment could possibly be used in a day.

An equipment carrying a UC of less than 50% is generally regarded as a bad investment.

4.17.2 **Good economics**

Several factors collectively make sound economic sense, before purchase decisions are taken, viz.,

a) Cost and availability of consumables.
b) Consumption of water and electricity.
c) Need for air conditioning.
d) Service contract facility
e) Simplicity of operation
f) Availability of spares for at least ten years.
17.3 Specifications vs. Brand name

Entering the purchase market for a specific brand of equipment is risky. The exact specifications of the equipment required should be insisted upon.

4.17.4 Preparation of the site

To ensure proper siting of the equipment, team work is called for. The team should consist of an equipment expert, civil, electrical and air-conditioning engineers, and an installation engineer.

4.17.5 Negotiating on price

Following pertinent points would have to be kept in mind while negotiating prices

1. Foreign exchange
   - duties and levies could raise equipment prices.
   - Lead time for delivery exceeding 3 months.

2. CIF destination
   - Custom clearance, insurance and freight beyond port with custom clearance
   - Facility would involve additional costs.

3. Warranty with spares
   - Longer warranty periods of upto 3 years.
4. Installation on turnkey basis
5. Consumables
6. Service contract
7. Re-export of damaged item.

4.18 IMPLICATIONS TO MANUFACTURER/MARKETER

The marketing of such high-end EMDE presents a real challenge because every single sale is important. Usually no middlemen are involved: sales are made directly from producer to buyer/user. Typically, the unit sale is large, and even the product may be made to the buyer's detailed specifications. Much presale and postsale servicing is required. A high-calibre sales force is needed to market such equipment. Promotional emphasis is on personal selling rather than advertising, although some advertising is used.
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