CHAPTER – 1

1. INTRODUCTION

The definition of customer that one can find in dictionaries often runs along the lines of, ‘a customer is one who purchases a commodity or service’. There is only one valid definition of business purpose: “to create a customer”. It is the customer who determines what a business is. The customer is the foundation of a business and keeps it in existence. The President of the United States, in 1962 addressed Congress and defined the basic rights of consumers:

- The right to safety
- The right to be informed
- The right to choose
- The right to be heard

This speech is often referred to as the Consumers’ Magna Carta and continued over the next 40+ years, advocating on behalf of consumers.

1.1 CONSUMERISM

Consumerism is a movement to improve the rights and powers of consumers in relation to the sellers of products and services. It is also a protest movement of consumers against what they or their advocates see as unfair, discriminatory and arbitrary treatment. There is nothing new about the idea of consumerism. It is as old as business. Americans define their relationships with others through the exchange and use of goods. Consumerism is a more powerful worldview than political ideologies, religions, or class and ethnic distinctions.

Consumerism is a movement to inform consumers and protect them from business malpractices. The term "consumerism" is also used to refer to the consumer movement, consumer protection or consumer activism, which seeks to protect and inform consumers by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards. The term "consumerism" was first used in 1915 to refer to
"advocacy of the rights and interests of consumers" but in this article the term "consumerism" refers to the sense first used in 1960, "emphasis on or preoccupation with the acquisition of consumer goods."

Origin of consumerism has weak links with the Western world, but is in fact an international phenomenon. People purchasing goods and consuming materials in excess of their basic needs is as old as the first civilizations. A great turn in consumerism arrived just before the Industrial Revolution in the nineteenth century. At that time, agricultural commodities, essential consumer goods, and commercial activities had developed to an extent, but not to the same extent as other sectors. During this period, members of the working classes worked very long hours for low wages. They worked for as much as 16 hours per day, 6 days per week. Little time or money was left for consumer activities. For the first time in history products were available in outstanding quantities, at outstandingly low prices, being thus available to virtually everyone. So began the era of mass consumption, the only era where the concept of consumerism is applicable.

Consumerism can take extreme forms such that consumers sacrifice significant time and income not only to purchase but also to actively support a certain firm or brand. Opponents of consumerism argue that many luxuries and unnecessary consumer products may act as social mechanism allowing people to identify like-minded individuals through the display of similar products. Critics of consumerism often point out that consumerist societies are more prone to damage the environment, contribute to global warming and use up resources at a higher rate than other societies.

Consumer groups can liaison between Government, Industry and the consumer to inculcate honesty, responsiveness and responsibility in manufacturers & marketers. There is a need to move towards societal concept of marketing

1.1.1 Consumer Movement in India

History of India has an ancient history of consumer protection. Consumer protection was part of ancient culture and formed the core of its administration. But the introduction of boundless commercialization of activities eclipsed the old rich heritage. Kautilya's Arthasasthra was the basic law of ancient India and the same was strengthened with provisions to protect consumers. Sale of commodities was organized in such a way
that general public was not put to any trouble. If high profits put general public in trouble, then that trade activity was stopped immediately. Consumerism and Consumer Movement was born to counter the influences and dangers of manipulation that were posed by unscrupulous marketers.

1.1.2 Consumer Movement in Modern Period

Consumer movement in the present form came into being only in the 1960's in India. The basic objectives of the consumer movement in India are as follows:

- To provide opportunity to the consumers to buy intelligently.
- Recognition of reasonable consumer requests.
- Protection against fraud, misrepresentation, unsanitary and unjust products.
- Participation of consumer representatives in management of aspects affecting consumers.
- Promoting consumers interests. Increasing consumer awareness.
- Declining quality of goods and service.
- Increasing consumer expectations because of consumer education.
- Influence of the pioneers and leaders of the consumer movement.
- Organized effort through consumer societies like the following:
  - Consumer Forum (CF)
  - Consumer Education Centre (CEC)
  - Indian Association of Consumer (IAC)
  - Bombay Civil Trust (BCT)
  - Consumer Guidance Society of India (CGSI)
  - Baroda Citizen Council (BCC)
  - Surat Consumer Association (SCA)
1.1.3 Consumer Groups in India

The following consumer groups exist in India:

- Voluntary Organization in Interest of Consumer Education (VOICE)
- Consumer Care Society
- Bombay Telephone Users' Association
- Civic Action Group (CAG)
- Graham Sahayak Consumer Guidance Society of India
- All India Chamber of Consumers (AICOC)
- Consumer Coordination Council
- Akhil Bhartiya Upbhokta Congress Consumer Unity and Trust Society
- Consumer Rights Education & Awareness Trust (CREAT)
- Rajkot Saher/Jilla Grahak Suraksha Mandal
- Upbhokta Sanrakchhan & Kalyan Samiti
- Upbhokta Margdarshan Samiti "UMAS"
- Evolution of Pollution Man – Consumer Group Initiative
- Anti Cigarette Campaigns – Consumer Group & Government Initiative

1.2 CONSUMER PURCHASE DECISION

Consumers use an approach that takes into account both how well a product appears to meet their needs and how important they feel those needs to be. Marketers have researched consumer behavior for many years, and many articles have been published in marketing journals explaining how consumers make purchasing decisions.
1.2.1 Consumer Buying Process

The consumer buying process is divided into five steps: need recognition, information search, evaluation of alternatives, purchase and post purchase behavior.

Need recognition perceives the unfulfilled desire. Marketing helps customers to recognize the imbalance between present status and preferred state.

The customers start information search, by recalling from their memory or using external sources such as internet, TV, newspapers, friends, etc.

After having acquired some alternatives, customers compare the value and the attributes of products so that finally they come to the decision to purchase the most attractive option they have. Here, marketing determines which attributes are the most important in influencing a consumer’s choice.

The final step is post –purchase, where the consumers compare the experience of using the product, to their expectations of the product’s performance. They may also make further purchases. It is common that the consumers can experience concern or anxiety, an uncomfortable post purchase psychological state, after their purchase. (Festinger, 1957).

To reduce cognitive dissonance that arises from post purchase anxiety, marketers must provide post purchase engagement, in the form of follow up calls, guarantee services, promotions and advertisements that essentially comfort and convince the consumer that he or she has made the right decision.

The decision making process depends on many factors, which vary from person to person and also from region to region. Consumers are living in a society which follows its own culture and values. Personal preferences again change with age, lifestyle, income and psychological factors. Consumer behavior is clearly affected by social influences such as reference groups, family members and social class.

The Marketing concept came into being when marketers realized that they would be able to sell more if they knew what was required by the consumers. In mapping out the buying process that consumers use, researchers have identified several categories of
motivation that determine how consumers attach weight to or rate the importance of product features:

- **Personal.** This includes the demographic factors that are correlated with purchase behavior.

- **Psychological.** Personality, attitudes, lifestyle, and motivations are a few of the factors included.

- **Social.** These influences include friends, family, opinion leaders, role models, and similar factors.

**Personal Factors**

The demographic factors have a huge impact on consumer purchase. Consumers belonging to a higher social class would prefer a certain type of product which they would feel would cater to their needs. Similarly buying behavior would also be depending on the age group. The features younger consumers would look for may not be the same with older consumers. Marketers have found age, for instance, to be a particular useful demographic variable for distinguishing market segments, largely because products needs and interests often vary with consumers’ age. The younger people prefer to spend rather than save. They also tend to spend more on technological products than on other things. Many marketers have today curved themselves a niche in the market place by concentrating on some specific group’s base on demographic variables. Marital status has traditionally been the focus of most marketing. For many products and services, household continues to be the relevant consuming unit. Marketers are interested in the number of and kinds of household that own and/or buy certain products, more so, marketers have discovered the benefits of targeting specific marital status groupings. Other demographic variables include gender, income, education and occupation. Although income has long been an important demographic variable for distinguishing markets, a major problem with targeting market on the basis of income alone is that it’s simply indicates the ability (or inability) to pay for a product. Education also seems to exert an influence. For example undergraduates go for casual wear more than formal wear. Men purchase different things from women. Studies prove that women tend to spend more than men. Therefore it is more profitable for companies to target women than men. The economic life cycle is also a factor that
influences people. It is found that people shift to cheaper alternatives, during recession. Surprisingly, finding the cheaper alternatives to be actually good, motivated them to stick to the same cheaper brands, even after recovery.

**Psychological Factors**

The psychological factors influencing consumer behavior are explained here.

**Personality** - Freudian theory says unconscious needs or drives are at the heart of human motivation. Neo-Freudian personality theory says that social relationships are fundamental to the formation and development of personality. The trait theory is a quantitative approach to personality as a set of psychological traits. Some external factors help the consumer to depict the kind of personality that he or she would like to show to the outside world. For example cars are shown to reflect the person’s personality.

**Motivation**- Motivation refers to an activated state within a person that leads to goal-directed behavior. It is an inner drive that reflects goal-directed arousal. In a consumer behavior context, the results are a desire for a product, service, or experience. It consists of the drives, urges, wishes, or desires that initiate the sequence of events leading to a behavior. It begins with the recognition of a need. The Maslow’s Hierarchy of Needs suggests that we need to satisfy a lower need before we are motivated to satisfy a higher level need. By understanding the needs of the consumers, marketers can use that to influence their preferences.

**Perception**- Personality is the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world . Consumers will use perceptual distortion when they are not clear about their beliefs about a product. An existing preference can result in a confirmation bias towards that brand. If for example a premium quality foreign chocolate brand wants to enter a market with a well established existing brand, the consumer may still perceive the existing brand that they are familiar with, better than the new one, despite the better quality of the new brand.

**Attitude** – Attitude is a learned predisposition to behave in a consistently favorable or unfavorable manner with respect to a given object. A person’s attitude towards an object is a function of the strength of each of the beliefs the person holds about the various aspects of the object and the evaluation he gives to each belief as it relates to the object.
**Learning**- Learning refers to any change in the content or organization of long-term memory and behavior. Learning is the changes in an individual’s behavior arising from experience; a process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior. If people are satisfied with their experience with a brand, they would again choose the same brand, because of their positive experience with the brand. Therefore the challenge for marketers is to create this positive experience.

Based on the above discussion, it is evident that a study of psychological factors operating in a market, though costly and time consuming, could make or break a new brand.

**Social Factors**

The social factors are elaborated in this section:

**Social Class & Reference Group**- Social classes are determined by occupation, income, education, wealth and other variables. People within a given social class tend to possess identical buying behavior, making it easier for marketers to target them. Consumers from lower social classes display higher brand loyalty, than the wealthier classes. Reference groups can be formed through various means of perception building, attitude formation and gradual learning process. These could be formed to the advantage of the marketer. Reference groups can be divided into different forms:

- **Aspiration Reference Group** – It is the group of people who you look up to and aspire to become (Perner, N.D) Marketers we performers or celebrities as their spokespersons, so as to make them an aspiration reference for the consumer. Recent research indicates that there was a 20% increase on the sales of some brands upon starting an endorsement deal and the stock of some companies has increased the day the deal was announced (Crutchfield, 2010)

- **Informal Reference Group** – An informal reference group is one to which one actually belongs (a group of friends, co-workers, a club, etc. (Wyne & Deborah, 2009)
• *Dissociative Reference Group* – This is a group from which one wishes to maintain a distance, due to differences in values and behavior. The store name ‘Gap’ is an example of how the motive of many young people to dissociate from their parents and older people, influenced the brand name.

**Culture & Sub Culture** - There are certain checks & controls which come into play due to Culture & Sub Culture. Marketers learn to effectively use parts of culture & subculture to their advantage. These aspects also help marketers gauge damage control in case of consumer displeasure. People growing up in an individualistic culture may hold different aspirations, values and needs than people who live in a collectivistic culture. While individualistic cultures focus on achieving personal goals, collectivistic cultures centre on family and group well being. Cultural values can however change over time and have to be watched over time. Examples of changing cultural patterns are the changing role of woman and the westernization of some Asian cultures. Ignoring cultural factors can prove to be costly. An illustration of this is of Starbucks, when they had to modify their pitch in China, because it clashed with their cultural values of protecting the nation’s cultural symbol.

**Family** - is the biggest challenge before the marketers. With the changing family demographics the marketers are getting an edge even in this aspect. Family plays an essential part in the processes through which family members acquire the skills, knowledge and attitudes necessary to their functioning as a customer in the market place (consumer behavior)

Every individual has to go through a family life cycle. Each stage determines different purchasing behaviors. Newly married couples show more interest in travelling while the full nest household tends to be more interested in time saving products. (Family lifecycle, 2010).

Family decision making can be spouse dominant (decisions are made by either husband or wife), or joint decision making (both husband and wife are responsible for making decisions). Recently the role of children as decision makers has changed significantly. Many firms are now targeting children, where they are the consumers. Dysney is an example of a company that has succeeded in marketing to children.
Buying decisions can be classified as high risk or low risk, based on the type of product they are purchasing. For a low cost FMCG item, the decision is low risk and may be made quickly, without much thought. On the other hand for purchase of a car or a house, the decision is high risk, and the decision process takes a lot of time.

Thus we see that all the above mentioned factors affect consumer behavior. Marketers must consider all these aspects and try to market their product accordingly. Marketing decisions should be made on the basis of research conclusions. However, in spite of deliberate conclusions being made based on all the factors, the consumer will still respond in his or her unique way and makes a purchase decision.

We can say that each person has their own unique way of responding to purchase stimuli. The factors influencing the buying process are environmental influences (cultural and social influences) and individual influences (personal and psychological influences). The cultural values are shared between people in a society and affect them gradually over time. Each individual also has their own effects varying with age, gender or the way they perceive, learn, motivate and learn.

Therefore, consideration of all these factors will lead to a better understanding of the market and therefore to a better marketing strategy.

Everyone involved in creating advertising and other marketing material know that consumers are not as interested in a product's features as they are in the benefits they can receive. And it's no surprise to marketers that the way consumers feel about a product heavily influences the likelihood of their making a purchase. For instance, many of the tools advertisements list features and specifications without mentioning any of the benefits of owning and using those tools. This is very different from the marketing communication by Sears; the radio and TV spots frequently emphasize how good people feel when using their strong, reliable tools. The Talking Digital Tire Gauge advertisement at first seems a bit extravagant. However, the descriptive copy emphasizes a serious benefit that will hit home for anyone who drives an SUV: "Recent experience has taught the driving public how critical properly inflated tires are to safe motoring."

It is therefore important for copywriters and marketers to understand consumer behavior and the motivations that influence consumer purchases. Marketers can apply such
proven techniques to help customers make better purchase decisions. These are some of the ways to influence consumer decision making:

- Review the motivations and emotions that drive consumers to purchase your products.
- Understand the process that consumers use to make purchase decisions.
- Emphasize benefits in product descriptions, explaining how the features and functions help provide those benefits.

It's always hard to persuade customers to purchase products, but applying an understanding of the consumer buying process makes it a lot easier.

1.2.2 Consumer Behavior Models

Some important consumer behavior models are discussed here in this section.

Consumer Information Processing Model

A typical buying process (often called the consumer information processing model) is depicted in Figure 1.1

![Figure 1.1 The Consumer Information Processing Model](source: Adopted from Kotler (1997), Schiffman and Kanuk (1997), and Solomon (1996))
In the model shown in Figure 1.1, the consumer passes through five stages: problem recognition, information search, evaluation and selection of alternatives, decision implementation, and post-purchase evaluation.

**Problem Recognition**

In this information processing model, the consumer buying process begins when the buyer recognizes a problem or need. For example, Doug may realize that his best suit doesn’t look contemporary any more. Or, Kathleen may recognize that her personal computer is not performing as well as she thought it should. These are the kinds of problem that we as consumers encounter all the time. When we found out a difference between the actual state and a desired state, a problem is recognized. When we find a problem, we usually try to solve the problem. We, in other words, recognize the need to solve the problem. But how?

**Information Search**

When a consumer discovers a problem, he/she is likely to search for more information. Kathleen may simply pay more attention to product information of a personal computer. She becomes more attentive to computer advertisements, computers purchased by her friends, and peer conversations about computers. Or, she may more actively seek information by visiting stores, talking to friends, or reading computer magazines, among others. Through gathering information, the consumer learns more about some brands that compete in the market and their features and characteristics. Theoretically, there is a total set of brands available to Kathleen, but she will become aware of only a subset of the brands (awareness set) in the market. Some of these brands may satisfy her initial buying criteria, such as price and processing speed (consideration set). As Kathleen proceeds to more information search, only a few will remain as strong candidates (choice set).

**Evaluation and Selection of Alternatives**

How does the consumer process competitive brand information and evaluate the value of the brands? Unfortunately there is no single, simple evaluation process applied by all consumers or by one consumer in all buying situations. One dominant view, however, is to see the evaluation process as being cognitively driven and rational. Under this view, a consumer is trying to solve the problem and ultimately satisfying his/her need. In other
words, he/she will look for problem-solving benefits from the product. The consumer, then, looks for products with a certain set of attributes that deliver the benefits. Thus, the consumer sees each product as a bundle of attributes with different levels of ability of delivering the problem solving benefits to satisfy his/her need. The distinctions among the need, benefits, and attributes are very important. One useful way to organize the relationships among the three is a hierarchical one. Although simplified, is an example of how a bundle of attributes (i.e., a product or, more specifically, personal computer) relates to the benefits and underlying needs of Kathleen.

![Diagram](image)

**Figure 1.2 Hierarchical Views of Needs, Benefits, and Attributes**

From Figure 1.2 and the preceding discussion, you might recognize that the product attributes are relevant and important only to the extent that they lead to a certain set of benefits. Likewise, benefits are meaningful only if they can Address the problem and be instrumental to satisfy the underlying need. Consumers differ as to their beliefs about what product benefits and attributes are more (or less) important and relevant in satisfying their needs. Based on their personal judgment on importance of benefits and attributes, consumers develop a set of attitudes (or preferences) toward the various brands. One may express his/her preferences of the brands in terms of ranking, probability of choice, and so forth.
**Decision Implementation**

To actually implement the purchase decision, however, a consumer needs to select both specific items (brands) and specific outlets (where to buy) to resolve the problems. There are, in fact, three ways these decisions can be made: 1) simultaneously; 2) item first, outlet second; or 3) outlet first, item second. In many situations, consumers engage in a simultaneous selection process of stores and brands. For example, in our Kathleen’s personal computer case, she may select a set of brands based on both the product’s technical features (attributes) and availability of brands in the computer stores and mail-order catalogs she knows well. It is also possible, that she decides where to buy (e.g., CompUSA in her neighborhood) and then chooses one or two brands the store carries. Once the brand and outlet have been decided, the consumer moves on to the transaction ("buying").

**Post-purchase Evaluation**

Post-purchase evaluation processes are directly influenced by the type of preceding decision-making process. Directly relevant here is the level of purchase involvement of the consumer. Purchase involvement is often referred to as “the level of concern for or interest in the purchase” situation, and it determines how extensively the consumer searches information in making a purchase decision. Although purchase involvement is viewed as a continuum (from low to high), it is useful to consider two extreme cases here. Suppose one buys a certain brand of product (e.g., Diet Pepsi) as a matter of habit (habitual purchase). For him/her, buying a cola drink is a very low purchase involvement situation, and he/she is not likely to search and evaluate product information extensively. In such a case, the consumer would simply purchase, consume and dispose of the product with very limited post-purchase evaluation, and generally maintain a high level of repeat purchase motivation (refer Figure 1.3).

![Figure 1.3 Low Involvement Purchase](image)

Source: Hawkins, Best, and Coney (1983)
However, if the purchase involvement is high and the consumer is involved in extensive purchase decision making (e.g., personal computer), he/she is more likely to be involved in more elaborate post-purchase evaluation – often by questioning the rightness of the decision: “Did I make the right choice? Should I have gone with other brand?” This is a common reaction after making a difficult, complex, relatively permanent decision. This type of doubt and anxiety is referred to as post-purchase cognitive dissonance.

![Figure 1.4 Elaborate Post-purchase Evaluation](image)

**Source:** Adopted from Hawkins, Best, and Coney (1983)

The likelihood of experiencing this kind of dissonance and the magnitude of it is a function of:

- The degree of commitment or irrevocability of the decision,
- The importance of the decision to the consumer,
- The difficulty of choosing among the alternatives, and
- The individual’s tendency is to experience anxiety.

Because dissonance is uncomfortable, the consumer may use one or more of the following approaches to reduce it:

- Increase the desirability of the brand purchased.
- Decrease the desirability of rejected alternatives.
- Decrease the importance of the purchase decision.
- Reject the negative data on the brand purchased.

If the dissonance about the purchase is not reduced, the anxiety may transform into dissatisfaction (general or specific). Certainly, this negative experience leads to new
problem recognition (Figure 1.1), and the consumer will engage in another problem solving process. The difference, however, is that in the next round of process, memory of the previous negative experience and dissatisfaction will be used as part of information. Therefore, the probability for the unsatisfactory brand to be re-selected and repurchased will be significantly lower than before.

The Hierarchy of Effects Model

Another widely used model in marketing that attempts to explain consumer decision making process is called the hierarchy of effects model. Although different researchers developed slightly different models, the basic idea is the same: people experience a sequence of psychological stages before purchasing a product. Such a model is provided in Figure 1.5

![Figure 1.5 A General Model of the Hierarchy of Effects (HOE Model)](image)

Source: Adopted from Delozier (1976)

Originally conceived to explain how Advertising affects consumer’s purchase decisions, the hierarchy of effects (HOE) model focuses on consumer learning that takes place as he/she processes information from the external world. The HOE model begins with the state where a consumer has no awareness about the brand (unaware) then develops awareness triggered by external stimuli, such as Advertising message or “word
of mouth.” As he/she obtains and processes more information, the consumer develops more specific knowledge about the brand. The knowledge, then, is used as basis to form a liking (or disliking), leading to a preference of brand(s) relative to the others. However, people need to be pushed beyond the preference stage to actually buy the brand of preference. The preference stage, after all, simply means that the consumer has formed a preference psychologically. Now it takes conviction for him/her before actually buying the brand.

By now, you might have realized at least two points. One, it seems reasonable that not all the consumers are at the same stage. For example, Susan may be in the unawareness stage relative to Samuel Adams beer, but Melissa may be in the preference stage. Two, it also seems reasonable that not all people at one stage move onto the next stage. For example, some consumers who have formed preference to Contadina pasta may not form any conviction to buy the product. Furthermore, some people may need more time before moving onto the next stage than others.

The HOE model is quite similar to the consumer information processing model because it also assumes that people are cognitively driven, thinking information processors. Controversy exists, of course, as to whether that is necessarily true. Some may claim that they often form liking and preference (emotional response or feeling) toward brands before developing cognitive judgment (knowledge or thinking) on them. Others argue that people form preference and knowledge simultaneously. Although each argument has its own support, the general model (cognition first, preference second) seems to be valid especially in relatively complex – or high-involvement – decision making situations (e.g., cars, computers), providing a conceptual framework for thinking about the sequence of events which begins from the initial awareness to the final action (i.e., purchasing).

Now we have reviewed two of the most widely accepted models of consumer decision making process. These are based on theories and research of social psychology, consumer behavior, and marketing.
1.2.3 Purchasing Power

The PP Hypothesis states that the exchange rate between two countries’ currencies equals the ratio of the currencies’ purchasing power, as measured by national price levels.

\[ e_S = \frac{P}{P_F} \]

The Law of One Price states that in competitive markets free of transportation costs and official barriers to trade, identical goods sold in different countries must sell for the same price when their prices are expressed in terms of the same currency.

The Implied PPP of the $ is the exchange rate that would leave a good, such as the McDonald’s Big Mac, costing the same in the United States as in any other country where the Big Mac is being sold.

The Implied PPP of the $ is the ratio of the price of a Big Mac in local currency to the price of a Big Mac in the United States.

Relative Money Supply,

\[ M_S^s / M_F^s \]

Where \( M_S^s \) is the money supply at home; \( M_F^s \) is the money supply in foreign.

Relative Real Domestic Product (GDP),

\[ Y_F / Y \]

Where, \( Y_F \) is the real GDP in foreign;

\( Y \) is the real GDP at home.

\[ e_S = \frac{P}{P_F} = (M_S^s / M_F^s) (Y_F / Y)(k_F/k) \]

Where, \( e_S \) are the spot exchange rate;

\( P \) is the price level at home;

\( P_F \) is the price level in foreign;
M_s is the money supply at home;

M_{SF} is the money supply in foreign;

Y_F is the real GDP in foreign;

Y is the real GDP at home; and

k_F/k is equal to 1 by assumption.

1.3 ADVERTISING

Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The time or space devoted to it is paid for. It uses a set format to carry the message rather than personal, one-on-one selling. It identifies the sponsor of the message.

Basically a company can achieve sales either personally or non-personally. Personal selling requires the seller and buyer to get together. Personal selling has its own advantages and disadvantages whereas advertising is non-personal selling. Personal selling has many advantages over advertising like direct communication, bargaining, enough time to discuss in detail about the product, seller can easily locate potential buyer. Advertising has none of the advantages of personal selling, very little time to present sales message, message is cannot be changed easily.

But, advertising has its own advantages, which is not found in personal selling: advertising has comparatively speaking, all the time in the world. Unlike personal selling, the sales message and its presentation does not have to be created on the spot with the customer watching. It can be created in as many ways as the writer can conceive, be rewritten, tested, modified, injected with every trick and appeal known to affect consumers.

Advertising covers large groups of customer and to make it effective proper research about customer is done to identify potential customers, to find out what message element might influence them, and figure out how best to get that message to them.
Thus, it appears that advertising is a good idea as a sales tool. For small ticket items, such as chewing gum and guitar picks, advertising is cost effective to do the entire selling job. For large ticket items, such as cars and computers, advertising can do a large part of the selling job, and personal selling is used to complete and close the sale. Advertising is non-personal, but effective.

1.3.1 Objectives of Advertising

The real objective of advertising is effective communication between producers and consumers with the purpose to sell a product, service, or idea. The main objectives of advertising are as follows:

**Informative**

Objective of advertising is to inform its targeted audience/customers about introduction of new product, update or changes in existing products or product related changes, information regarding new offers and schemes. Informative advertising seeks to develop initial demand for a product. The promotion of any new market entry tends to pursue this objective because marketing success at this stage often depends simply on announcing product availability. Thus, informative advertising is common in the introductory stage of the product life cycle.

**Persuasive**

Objective of advertising is to increase demand for existing product by persuading new customer for first time purchase and existing customers for repurchases. Persuasive advertising attempts to increase demand for an existing product. Persuasive advertising is a competitive type of promotion suited to the growth stage and the early part of the maturity stage of the product life cycle.

**Reminder**

The objective of advertising is to remind customers about existence of product, and ongoing promotional activities. Reminder advertising strives to reinforce previous promotional activity by keeping the name of a product before the public. It is common in
the latter part of the maturity stage and throughout the decline stage of the product life cycle.

1.3.2 Impact of Advertising

An advertisement is a powerful medium which is deliberately used to influence the mind and it is a form of communication intended to persuade an audience to purchase products or services.

1.3.3 Types of Advertising Media

There are various types of advertisement media, as mentioned below:

1) Newspaper
2) Magazine
3) Brochures
4) Broadcast Advertising
5) Television
6) Radio
7) Internet Advertising
8) Advertisement in Movies

1.3.4 Uses of Advertisement

The uses of Advertising are manifold:

1) It gives consumers a fair idea about the products or services
2) People get to know about the product which is newly launched
3) It promotes the growth of the product
4) It increases the consumer awareness
5) It attracts the attention of a large no. of viewers

1.3.5 Advertising Ethics

Companies, chasing high sales targets, resort to unethical marketing tactics. False and misleading advertising is the most common among these. These tend to exploit
children and use other means which impair the consumer’s confidence. With globalization, liberalization and increased competition, such practices only tend to increase, to gain an advantage in the market.

This is the reason why self regulation is so important. These regulations are made keeping in view the interests of the advertiser, the agency, the media, the consumers and society.

A code of standards identifies how professionals should respond when facing an ethical dilemma

1.3.6 Types of Advertising

Advertising can be classified into different types, as follows:

**Institutional Advertising** tries to develop goodwill for a company rather than to sell a specific product. Its objective is to improve the advertiser's image, reputation, and relations with the various groups the company deals with. This includes not only end-users and distributors, but also suppliers, shareholders, employees, and the general public. Institutional Advertising focuses on the name and prestige of a company. Institutional Advertising is sometimes used by large companies with several divisions to link the divisions in customers' minds. It is also used to link a company’s other products to the reputation of a market-leading product.

**Product Advertising** tries to sell a product. It may be aimed at the end user or at potential representatives and distributors. Product Advertising may be further classified as pioneering, competitive, and reminder Advertising Pioneering. Advertising tries to develop primary demand, which is demand for a product category rather than a specific brand. It's needed in the early stages of the adoption process to inform potential customers about a new product. The first company to introduce a new technology to its industry doesn't have to worry about a competitive product since they alone have the technology. They have to sell the industry on the advantages of the new technology itself. Pioneering Advertising is usually done in the early stage of the product life cycle by the company which introduces an innovation.
Competitive Advertising tries to develop selective demand; demand for a specific manufacturer’s product rather than a product category. An innovating company is usually forced into competitive Advertising as the product life cycle moves along. After pioneering technology is accepted and most manufacturers are supplying competing products, the innovator is forced to sell the advantages of his specific design over that of the competition. This is usually the situation in a mature market.

Reminder Advertising tries to keep the product's name before the public. It is useful when the product has achieved market domination. Here, the advertiser may use "soft-sell" advertisements that just mention or show the name as a reminder. Reminder Advertising may be thought of as maintenance for a product with the leadership position in the market.

Of course none of the above classifications are exclusive. Some companies combine elements of the institutional advertisement with product Advertising. The classifications are merely aids in developing the objectives which the company sets for their advertisements.

1.3.7 Effect of Advertisements on Consumer Mood States

Few consumer researchers doubt the pervasive and important influence that mood has on the processing of information and decision making by consumers. Strong evidence suggests that individual choice behavior can be based on affective as well as rational factors (Zajonc, 1980). Further, the impact of mood states on the consumer decision process appears to be a function of the valence of the current mood (Gardner & Hill, 1986). Most of the studies that have investigated the role of mood or emotion in Advertising have looked at the ability of advertisements to elicit different affective states (Holbrook and O'Shaughnessy, 1984). This work has popularized the "attitude toward the advertisement" stream of research which typically views this construct as an intervening variable that mediates the effects of the Advertising message on brand attitudes and preferences (Edell & Burke, 1984). According to this perspective, the purpose of many advertisements is to create a favorable advertisement attitude by leaving the viewer/listener/reader in a positive emotional state after processing the advertisement (Hill & Mazis, 1985). The assumption underlying this approach is that consumers are hedonistically motivated by the desire to feel good (Hirschman& Holbrook, 1982).
Other investigations have looked at the effects of consumers' current affective states on subsequent evaluations of advertisements (Milberg & Mitchell, 1984). The advertisements used in these studies are primarily informational and subjects' moods are manipulated outside the context of the advertisement. Evidence suggests that mood may impact the encoding and retrieval of information contained in an advertisement. For example, consumers who are in positive moods upon exposure to an advertisement should encode favorable information about the advertised brand. This may result in more positive brand attitudes than would occur under different mood-related conditions.

Consumer behavior which is motivated by affective desires has been termed "hedonic consumption" (These authors are not listed in the references: Holbrook & Hirschman, 1982, Hirschman & Holbrook, 1982). The basis of this approach is that the search for emotional arousal is an important motivation for individuals when selecting products to consume. Implicit to this perspective is the assumption that consumers consciously or unconsciously utilize the buying process to manage their moods (Hill & Gardner 1986). Recent evidence suggests that consumer behavior activities may result in the extension of an individual's positive mood or the transformation of his or her negative mood. In a study by Gardner & Hill (1986), subjects in positive moods who used an experiential strategy had more positive post-processing moods than those who used an informational strategy, and subjects in negative moods who used an informational strategy had more positive post-processing moods than those who used an experiential strategy. Interestingly, subjects in positive moods were more likely to use an experiential strategy than those in negative moods, and subjects in negative moods were more likely to use an informational strategy than those in positive moods. This finding suggests that subjects may have been employing a mood management strategy during decision making.

The two elements of an advertisement that have the potential to impact a consumer's mood are the mood inherent to the advertisement and the non-attribute and attribute-based information contained within the advertisement (Mitchell 1985). Both elements interact with the consumer's current mood to influence his or her resulting affective state. Diagrammatically, this relationship might take the form shown in figure 1.1.
These advertisement components may work similarly to the hedonic and utilitarian affective attitude elements suggested by Batra (1986). Through the process of empathy, the mood inherent to the advertisement may act to reduce, maintain, or improve the mood of the receiver (Hill 1987). This could be characterized as the hedonic affective response of the consumer. Further, the information contained in the advertisement may act to reinforce this mood (non-attribute information) or may be used by the receiver to evaluate the advertised brand's potential to impact current and future mood states (attribute-based information). This could be characterized as the utilitarian affective response of the consumer. Gardner (1985) provides additional support for the dichotomous nature of advertisements by suggesting that advertisements designed to impact mood states contain two elements - cognitive mood inducers such as positive or negative statements (information) and non-cognitive mood inducers such as scary or happy music (inherent mood).
Mood Management Strategies for Advertisements

According to the mood management perspective, consumers should prefer advertisements that have the desired impact on their current moods (Mitchell, 1985). Specifically, consumers in positive moods whose moods are extended after exposure to an advertisement will have more positive advertisement and brand attitudes than individuals whose moods are not extended. On the other hand, consumers in negative moods whose moods are transformed after exposure to an advertisement will have more positive advertisement and brand attitudes than individuals whose moods are not transformed. A diagrammatic representation of this relationship might take the form shown in figure 1.2

![Diagram](image)

**Figure 1.7: the Effects of the Interaction Between a Consumer’s Mood State and Advertisement on Aad and Abr**

Source: Hill, 1987

The mood management approach provides some insight into the relationship between resulting mood and advertisement and brand attitudes. What is not clear is how the mood and informational components of an advertisement interact with a consumer's current mood to produce his or her resulting mood state. The following subsections provide a general discussion of this relationship for both positive and negative pre-processing mood conditions.

As mentioned previously, consumers prefer advertisements that extend their positive mood states, and both the mood and informational components of an advertisement have the ability to accomplish this task. With regard to mood inherent to the advertisement, it can be characterized as consistent (i.e., positive) or inconsistent (i.e.,
negative) with the consumer's positive affective state. Since consumers may empathically acquire the advertisement's mood, they should prefer advertisements with consistent moods. Another issue involves the intensity of mood. Although the consumer behavior literature suggests that individuals have a limited tolerance for arousal (Hill 1987, Ray and Wilkie 1970), this principle has been applied solely to negative mood conditions. Therefore, it will be discussed only in the negative pre-processing mood subsection.

In terms of the informational content of an advertisement, the non-attribute information also can be characterized as consistent (i.e., positive statements) or inconsistent (i.e., negative statements) with the consumer's positive affective state (Gardner 1985). However, the attribute-based information may be positioned somewhat differently. Mizerski, White, and Hunt (1984) suggest that "emotion as a benefit" is a viable and widely used product positioning strategy in advertisements. However, including attempts to de-market products such as tobacco and liquor, "emotion as a cost" should be included as a potential Advertising positioning strategy. Thus, attribute-based information might suggest that consideration, purchase and/or consumption of the advertised product may lead to positive or negative emotional outcomes.

These are also the advertisement characteristics that Advertisers should utilize if they anticipate that consumers will be receiving their advertisements in positive pre-processing moods due to vehicle source effects. However, if advertisers wish to de-market a product, they may choose to use an entirely different strategy. Their goal might be to produce the most negative possible resulting mood and associate this mood with the product category under consideration.

Most of the advertisement characteristics that may impact a consumer's mood can be described similarly for negative pre-processing moods. For example, the mood inherent to the advertisement can be characterized as consistent (i.e., negative) or inconsistent (i.e., positive) with the consumer's negative affective state. Also, non-attribute information can be characterized as consistent (i.e., negative statements) or inconsistent (i.e., positive statements) with the consumer's negative affective state.

Differences, however, exist for attribute-based information. For negative pre-processing moods, "emotion as a benefit" is the product's perceived ability to transform negative affective states, and "emotion as a cost" is the product's perceived ability to
extend unpleasant negative moods. Further, the optimal mix of advertisement characteristics differs according to the level of intensity of consumers' pre-processing moods. If their negative pre-processing moods are very intense, consumers may not be able to cope with these feelings. This situation may lead to a preference for advertisements with inconsistent moods and inconsistent non-attribute information so that they may escape from their current affective states. However, if the level of intensity of their pre-processing moods is in the moderate range, consumers may prefer advertisements that are consistent with their current moods in terms of mood and non-attribute information since these advertisements provide a justification for their feelings. Also, they may prefer advertisements that additionally provide attribute-based information in the form of emotion as a benefit as described above. Both negative pre-processing mood scenarios are diagrammatically illustrated in Figure 1.3

![Figure 1.8: Optimal Advertising Strategy for Consumers in Negative Pre-processing Moods](image)

Source: Hill, 1987
Once again, the best strategy for advertisers to pursue is consistent with the mood management needs of consumers. If advertisers expect that consumers will be experiencing negative pre-processing moods of high intensity (due, potentially, to vehicle source effects), they should develop advertisements containing positive moods and positive non-attribute information. On the other hand, if advertisers expect that consumers will be experiencing negative pre-processing moods of moderate intensity, they should develop advertisements containing negative moods, negative non-attribute information, and attribute information that create the impression that consideration, purchase and/or consumption of their products will lead to a transformation of consumers’ current affective states.

It is suggested that consumers prefer advertisements which help them manage their current moods by aiding in the extension of positive affective states and the transformation of negative affective states. Further, successful use of mood manipulation by advertisers may depend on their ability to facilitate this process.

Consumers experiencing positive pre-processing moods prefer advertisements which contain positive moods, positive non-attribute statements, and attribute-based information suggesting emotion as a benefit. The mix of advertisement characteristics suggested in proposition la will result in more positive mood states than any other possible combination for consumers experiencing positive pre-processing moods. The use of advertisements which contain negative moods, negative non-attribute statements, and attribute-based information suggesting emotion as a cost will result in more negative mood states than any other possible combination for consumers experiencing positive pre-processing moods. Consumers experiencing high intensity of negative pre-processing moods prefer advertisements which contain positive moods and positive non-attribute statements. The mix of advertisement characteristics suggested earlier will result in more positive mood states than any other possible combination for consumers experiencing high intensity of negative pre-processing moods. Consumers experiencing moderate intensity of negative preprocessing moods prefer advertisements which contain negative moods, negative non-attribute statements, and attribute-based information suggesting emotion as a benefit. The mix of advertisement characteristics suggested earlier, will result in more positive mood states than any other possible combination for consumers experiencing moderate intensity of negative pre-processing moods.
1.3.8 Advertising Techniques

There are various advertising techniques that marketers use, to influence consumer behavior. Some of them are mentioned here.

Repetition

Repetition is a simple yet effective technique used to build identity awareness and customer memory. Even advertisements using other successful approaches mention the product or company name more than once, particularly in television because its combination of sight and sound, allows the advertiser to disguise the repetition by changing its delivery (from visual to audio). An advertisement first shown during a Super Bowl broadcast for a product called Head on remains the classic example of this Advertising technique. Though the advertisement never explained what the product does, viewers remembered its name.

Claims

Advertising that promotes specific features or makes claims about what a product or service can do for the potential customers provides successful results by informing, educating and developing expectations in the buyer. Claims can state facts or simply use hype, such as calling one brand of orange juice "the best" when nutritionally it is identical to other brands. Claims may mislead through omission or by using what some advertisers and political campaigners call "weasel words." These are subtle statement modifiers that render the claim meaningless if studied closely. Common weasel words include "helps," "fights" and "virtually."

Association

Associating a product or company with a famous person, catchy jingle, desirable state of being or powerful emotion creates a strong psychological connection in the customer. Sporting equipment companies use successful athletes in their advertisements, automakers display their cars in front of mansions, brewers show their beer consumed by groups of friends having fun and cosmetic companies sign celebrities to represent their products. These advertisements encourage an emotional response in customers, which then is linked to the product being advertised, making it attractive through transference.
Bandwagon

The bandwagon technique sells a product or service by convincing the customer that others are using it and they should join the crowd. Other bandwagon advertisements suggest that the customer will be left out if they do not buy what's being sold. These advertisements often employ "glittering generalities," words linked to highly valued ideas or concepts that evoke instant approval, which may or may not relate to the subject of the advertisement. "America loves..." connects patriotism with a product, creating an automatic positive response.

Promotions

Coupons, sweepstakes, games with prizes and gifts with purchases create excitement, and participation encourages customers to build a relationship with the sponsoring product or service. The attraction of getting something "free" or earning "rewards" makes promotions successful. Limited-time offers and entry deadlines add urgency to this Advertising technique's call to action.

1.3.9 Significance of Advertisement in FMCG

In a scenario where the Reserve Bank of India (RBI) has downgraded the gross domestic product (GDP) growth rate for 2013-14 (FY14) to sub 5 per cent level, major fast moving consumer goods (FMCG) companies have raised their Advertising and promotion spends in the first six months of the current fiscal (H1FY14). Further, this trend is likely to continue in the second half of the current fiscal (H2FY14) as well.

While Hindustan Unilever (HUL), the FMCG giant has reported a 16 per cent increase in Advertising and promotion spends (advertisement spends) to Rs 1843.8 crore during H1FY14 over the corresponding period last fiscal, Dabur has witnessed a 17.5 per cent increase in these spends to Rs 481.67 crore. Similarly, Colgate, Jyothy Laboratories, and Emami have seen an increase of 28 per cent, 50 per cent and 9.42 per cent respectively. Even in the second quarter of FY14 (Q2FY14), advertisement spends of FMCG companies were on the rise. Amongst these five companies, Colgate-Palmolive (India) saw the maximum per cent increase of 34.36 per cent, followed by Jyothy Laboratories (30.5 per cent), Dabur (25.8 per cent), HUL (24 per cent), and Emami (4.8 per cent).
Looking at the advertisement spends to sales ratio, in case of HUL it stood at 14.14 per cent during Q2FY14, up nearly 165 basis points over the corresponding quarter of previous fiscal. While Dabur’s advertisement spends as a per cent of sales stood at 13.01 per cent, up nearly 113 basis points over Q2FY13, Colgate’s advertisement spends accounted for 13.34 per cent of sales, an uptick of 185 basis points over Q2FY13.

Similar trend was witnessed in the last fiscal (FY13), where HUL reported a 22 per cent increase in advertisement spends to Rs 3290 crore. Further, Dabur witnessed a 27 per cent increase in these spends to Rs 837 crore. Likewise, Colgate, and Emami have seen an increase of 35 per cent, and 22 per cent respectively during the period under review.

Confirming the trend related to the increase in advertisement spends, HUL in its latest result press release stated, “Overall industry media spend was up to its highest levels in over 18 quarters, with a particularly sharp increase in Oral Care. We invested at competitive levels across segments with a significant step up in Personal Products- overall A&P spend was up by Rs 185 crores (+165 bps) in the quarter.”

Explaining the factors behind the increased advertisement spends, Kaustubh Pawaskar, Research Analyst at Sharekhan, who tracks FMCG sector closely averred, “The major reason behind it (the increased advertisement spends) is to woo consumers amidst the slowdown in order to improve the sales. Another reason is the heightened competitive intensity.”

Reiterating the view, A K Prabhakar, an independent analyst, said, “FMCG sector is facing the heat as incremental spending from consumers is missing. During Q2FY14, Colgate has registered a significant increase in advertisement spends to counter the competition from P&G, HUL and GSK Consumer. Although higher advertisement spends has dented the margins yet the company has gained market share.”

When asked about the outlook for advertisement spends in the remaining half of current fiscal, Pawaskar at Sharekhan opined, “Companies will be increasing their advertisement spends to support product launches and in order to gain market share.” respectively during the period under review.
1.3.10 Self Regulation of Advertising – ASCI

ASCI is a voluntary self-regulatory council established in 1985 to promote responsible advertising and to enhance public confidence in advertisements. The ASCI code applies to all involved in the commissioning, creation, placement, or publishing of advertisements. This ASCI Code applies to advertisements read, heard, or viewed in India even if they originate or are published abroad so long as they are directed to consumers in India or are exposed to a significant number of consumers in India. It is registered as a not-for-profit Company under section 25 of the Indian Cos. Act.

It is a commitment to honest advertising and to fair competition in the marketplace. It stands for the protection of the legitimate interests of consumers and all concerned with advertising - advertisers, media, advertising agencies and others who help in the creation or placement of advertisements. Fewer false misleading claims result in fewer unfair advertisements, ensuing in increased respectability.

Though non-statutory, the ASCI Code is recognized under various Indian laws in addition to being adopted by advertising-industry bodies. Notably, the ASCI Code provides that it is not in competition with any law, its rules, or the machinery through which they are enforced, thus the ASCI Code is designed only to complement legal controls under such laws and not to usurp or replace them.

The council's objectives are:

- To ensure the truthfulness and honesty of representations and claims made by advertisements
- To ensure that advertisements are not offensive to generally accepted standards of public decency
- To safeguard against the indiscriminate use of advertising for the promotion of products regarded as hazardous to society or to individuals.
- To ensure that advertisements observe fairness in competition so as to inform the consumer on choices in the marketplace while observing the canons of generally accepted competitive behavior in business
The sponsors of the ASCI, who are its principal members, are firms of considerable repute within Industry in India, and comprise Advertisers, Media, Advertising Agencies and other Professional/Ancillary services connected with advertising practice. The ASCI is not a Government body, nor does it formulate rules for the public or the relevant industries (ASCI, 2012). ASCI consists of a Board of Governors and a Consumer Complaints Council. The Board of Governors comprises four members from each of the four sections connected with the advertising industry:

- Advertisers
- Advertising Agencies
- Media (owners of press, television, radio etc.)
- Related sectors (e.g. outdoor agencies, PR, market researchers, ad producers, business schools)

The ASCI Code: Self-Regulation of Advertising

- Some excerpts from this Code are reproduced here (ASCI, 2012):

- The responsibility for the observance of this Code for Self-Regulation in Advertising lies with all who commission, create, place or publish any advertisement or assist in the creation or publishing of any advertisement. All advertisers, advertising agencies and media are expected not to commission, create, place or publish any advertisement which is in contravention of this Code. This is a self-imposed discipline required under this Code for Self-Regulation in Advertising from all involved in the commissioning, creation, placement or publishing of Advertisements.

- Chapter 1 in the ASCI discusses the Truthfulness and Honesty of Representations and Claims made by Advertisements and to safeguard against misleading Advertisements. The following points are covered in this chapter:

1. Advertisements must be truthful. All descriptions, claims and comparisons which relate to matters of objectively ascertainable fact should be capable of substantiation. Advertisers and advertising agencies are required to produce such substantiation as and when called upon to do so by The Advertising Standards Council of India.
2. Where advertising claims are expressly stated to be based on or supported by independent research or assessment, the source and date of this should be indicated in the advertisement.

3. Advertisements shall not, without permission from the person, firm or institution under reference, contain any reference to such person, firm or institution which confers an unjustified advantage on the product advertised or tends to bring the person, firm or institution into ridicule or disrepute. If and when required to do so by the Advertising Standards Council of India, the advertiser and the advertising agency shall produce explicit permission from the person, firm or institution to which reference is made in the advertisement.

4. Advertisements shall neither distort facts nor mislead the consumer by means of implications or omissions. Advertisements shall not contain statements or visual presentation which directly or by implication or by omission or by ambiguity or by exaggeration are likely to mislead the consumer about the product advertised or the advertiser or about any other product or advertiser.

5. Advertisements shall not be so framed as to abuse the trust of consumers or exploit their lack of experience or knowledge. No advertisement shall be permitted to contain any claim so exaggerated as to lead to grave or widespread disappointment in the minds of consumers.

For example:

(a) Products shall not be described as ‘free’ where there is any direct cost to the consumer other than the actual cost of any delivery, freight, or postage. Where such costs are payable by the consumer, a clear statement that this is the case shall be made in the advertisement.

(b) Where a claim is made that if one product is purchased another product will be provided ‘free’, the advertiser is required to show, as and when called upon by The Advertising Standards Council of India, that the price paid by the consumer for the product which is offered for purchase with the advertised incentive is no more than the prevalent price of the product without the advertised incentive.
(c) Claims which use expressions such as “Upto five years’ guarantee” or “Prices from as low as Rs. Y” are not acceptable if there is a likelihood of the consumer being misled either as to the extent of the availability or as to the applicability of the benefits offered.

Special care and restraint has to be exercised in advertisements addressed to those suffering from weakness, any real or perceived inadequacy of any physical attributes such as height or bust development, obesity, illness, impotence, infertility, baldness and the like, to ensure that claims or representations directly or by implication, do not exceed what is considered prudent by generally accepted standards of medical practice and the actual efficacy of the product.

(d) Advertisements inviting the public to invest money shall not contain statements which may mislead the consumer in respect of the security offered, rates of return or terms of amortisation; where any of the foregoing elements are contingent upon the continuance of or change in existing conditions, or any other assumptions, such conditions or assumptions must be clearly indicated in the advertisement.

(e) Advertisements inviting the public to take part in lotteries or prize competitions permitted under law or which hold out the prospect of gifts shall state clearly all material conditions as to enable the consumer to obtain a true and fair view of their prospects in such activities. Further, such advertisers shall make adequate provisions for the judging of such competitions, announcement of the results and the fair distribution of prizes or gifts according to the advertised terms and conditions within a reasonable period of time. With regard to the announcement of results, it is clarified that the advertiser’s responsibility under this section of the Code is discharged adequately if the advertiser publicizes the main results in the media used to announce the competition as far as is practicable, and advises the individual winners by post.

Obvious untruths or exaggerations intended to amuse or to catch the eye of the consumer are permissible provided that they are clearly to be seen as
humorous or hyperbolic and not likely to be understood as making literal or misleading claims for the advertised product.

6. In mass manufacturing and distribution of goods and services it is possible that there may be an occasional, unintentional lapse in the fulfillment of an advertised promise or claim. Such occasional, unintentional lapses may not invalidate the advertisement in terms of this Code.

In judging such issues, due regard shall be given to the following:

(a) Whether the claim or promise is capable of fulfillment by a typical specimen of the product advertised.

(b) Whether the proportion of product failures is within generally acceptable limits.

(c) Whether the advertiser has taken prompt action to make good the deficiency to the consumer.

Chapter II of the code articulates that Advertisements should contain nothing indecent, vulgar, especially in depiction of women, or nothing repulsive which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence”

Chapter III safeguards against the indiscriminate use of Advertising in situations or of the Promotion of Products which are regarded as Hazardous or Harmful to society or to individuals, particularly minors, to a degree or of a type which is Unacceptable to Society at Large.

1. No advertisement shall be permitted which:

(a) Tends to incite people to crime or to promote disorder and violence or intolerance.

(b) Derides any race, caste, colour, creed, gender or nationality”

(c) Presents criminality as desirable or directly or indirectly encourages people - particularly minors - to emulate it or conveys the modus operandi of any crime.
(d) Adversely affects friendly relations with a foreign State.

2. Advertisements addressed to minors shall not contain anything, whether in illustration or otherwise, which might result in their physical, mental or moral harm or which exploits their vulnerability. For example, Advertisements:

(a) Should not encourage minors to enter strange places or to converse with strangers in an effort to collect coupons, wrappers, labels or the like.

(b) Should not feature dangerous or hazardous acts which are likely to encourage minors to emulate such acts in a manner which could cause harm or injury.

(c) Should not show minors using or playing with matches or any inflammable or explosive substance; or playing with or using sharp knives, guns or mechanical or electrical appliances, the careless use of which could lead to their suffering cuts, burns, shocks or other injury.

(d) Should not feature minors for tobacco or alcohol-based products.

(e) Should not feature personalities from the field of sports, music and cinema for products which, by law, either require a health warning in their advertising or cannot be purchased by minors.

3. Advertisements shall not, without justifiable reason, show or refer to dangerous practices or manifest a disregard for safety or encourage negligence.

4. Advertisements should contain nothing which is in breach of the law nor omit anything which the law requires.

5. Advertisements shall not propagate products, the use of which is banned under the law.

6. Advertisements for products whose advertising is prohibited or restricted by law or by this Code must not circumvent such restrictions by purporting to be advertisements for other products the advertising of which is not prohibited or restricted by law or by this Code. In judging whether or not any particular
advertisement is an indirect advertisement for a product who’s advertising is restricted or prohibited, due attention shall be paid to the following:

(a) Whether the unrestricted product which is purportedly sought to be promoted through the advertisement under complaint is produced and distributed in reasonable quantities having regard to the scale of the advertising in question, the media used and the markets targeted.

(b) Whether there exist in the advertisement under complaint any direct or indirect clues or cues which could suggest to consumers that it is a direct or indirect advertisement for the product who’s Advertising is restricted or prohibited by law or by this Code.

(c) Where Advertising is necessary, the mere use of a brand name or company name that may also be applied to a product whose Advertising is restricted or prohibited, is not reason to find the advertisement objectionable provided the advertisement is not objectionable in terms of (a) and (b) above.

Chapter IV ensures that Advertisements observe fairness in competition such that the Consumer’s need to be informed on choice in the Market-Place and the Canons of generally accepted competitive behavior in Business, are both served.

1. Advertisements containing comparisons with other manufacturers or suppliers or with other products including those where a competitor is named is permissible in the interests of vigorous competition and public enlightenment, provided:

(a) It is clear what aspects of the advertiser’s product are being compared with what aspects of the competitor’s product.

(b) The subject matter of comparison is not chosen in such a way as to confer an artificial advantage upon the advertiser or so as to suggest that a better bargain is offered than is truly the case. The comparisons are factual, accurate and capable of substantiation.
(d) There is no likelihood of the consumer being misled as a result of the comparison, whether about the product advertised or that with which it is compared.

(e) The advertisement does not unfairly denigrate, attack or discredit other products, advertisers or advertisements directly or by implication.

2. Advertisements shall not make unjustifiable use of the name or initials of any other firm, company or institution, nor take unfair advantage of the goodwill attached to the trade mark or symbol of another firm or its product or the goodwill acquired by its advertising campaign.

3. Advertisements shall not be similar to any other advertiser’s earlier run advertisements in general layout, copy, slogans, visual presentations, music or sound effects, so as to suggest plagiarism.

4. As regards matters covered by sections 2 and 3 above, complaints of plagiarism of advertisements released earlier abroad will lie outside the scope of this Code except in the under-mentioned circumstances:

   (a) The complaint is lodged within 12 months of the first general circulation of the advertisements/campaign complained against.

   (b) The complainant provides substantiation regarding the claim of prior invention/usage abroad.

Further, ASCI provides self regulation guidelines pertaining to various industries such as Foods & Beverages (F&B), educational institutions and programs and automotive vehicles.

The ASCI code also provides guidelines on Communicating Disclaimers and Qualifications of claims through “Supers” in an Advertisement, Radio mandatorieds, validity & duration of claiming new / improved, qualification of brand extension product or service and ASCI’s policy on complaints against Political and Government advertisements.
Here are some examples of advertisements on which ASCI’s ruling prevailed:

**Good Knight - ASCI Ruling**

Good Knight - ASCI Rulings Godrej Sara Lee Ltd (Good Knight Aerosol) Chutti TV “Aerosol as a fragrance and the actors are inhaling it”. This is highly objectionable as one must not inhale a pesticide even if it is safe. The canister for the aerosol resembles that of 'Hit’ spray for cockroaches and other pests. These insecticides are far more dangerous and should not be inhaled directly.

**Reliance Mobile – ASCI Ruling**

Reliance Mobile - ASCI Reliance Communications Ltd (Reliance CDMA) Cartwheel Creative Consultancy “All calls made on the net (Reliance to Reliance) are unlimited”. The unlimited calls are restricted to a Fair Usage cap of 2700 minutes that are applicable to the On-net calling to prevent any abuse due to commercial use.

**Bajaj Allianz – ASCI Ruling**

Bajaj Allianz – ASCI Ruling Bajaj Allianz Life Insurance Co Ltd (Bajaj Allianz Shield Plus) Bajaj Allianz makes a comparison with a Fixed Deposit in any Bank, in a taunting and indecent manner, as if Fixed Deposit has no merits for a client and is not worth. This is not correct since the Fixed deposit done for a period of 5 years and above qualify for Income tax benefit under section 80 (C).

**1.3.11 Statutory Regulation Of Advertising**

Complementing the ASCI Code are Indian laws governing specific media, specific populations, and specific goods and services. The most significant of these laws are listed here.

**Laws Governing Media**

- The Press Council Act 1978
- Cable Television Network Rules, 1994
- Code for Commercial Advertising on Doordarshan and All India Radio
- Electronic Media Monitoring Centre (EMMC)
- Norms for Journalist Conduct issued by the Press Council of India
- Code of Conduct of the News Broadcasters Association

**Laws Protecting Society and the Consumer**

- Emblems and Names (Prevention of Improper Use) Act, 1950
- Young Persons (Harmful Publications) Act, 1956
- Companies Act, 1956
- Standards of Weight & Measures Act, 1976
- Indecent Representation of Women (Prohibition) Act, 1986
- Consumer Protection Act, 1986
- Laws related to intellectual property rights

**Industry-Specific Laws**

- The Drugs and Cosmetic Act, 1940
- The Transplantation of Human Organs Act, 1994
- The Drugs and Magical Remedies (Objectionable Advertisements) Act, 1954
- The Prenatal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994
- Advocates Act, 1961
- Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992
- Securities and Exchange Board of India Act, 1992
- The Prize Chits and Money Circulation Schemes (Banning) Act, 1978
- Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003
• Public Gambling Act, 1867, the Lotteries (Regulation) Act, 1998 and the Prize Competitions Act, 1955

• Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002

• The Food Safety & Standards Act, 2006

Products and Services Banned From Advertising

1. Tobacco

The Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 ("Tobacco Prohibition Act") prohibits all direct and indirect advertising of tobacco products in all media.

2. Human Organs

The Transplantation of Human Organs Act, 1994: This law provides for the regulation of removal, storage and transplantation of human organs for therapeutic purposes and for the prevention of commercial dealings in human organs. This law prohibits any advertising inviting persons to supply, offering to supply, any human organ for payment.

3. Magical Remedies

The Drugs and Magical Remedies (Objectionable Advertisements) Act, 1954 prohibits advertisement of magical remedies of diseases and disorders.

4. Services for Pre-Natal Determination of Sex

The Prenatal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994 prohibits advertisements relating to pre-natal determination of sex.

5. Infant formula

Advertising is forbidden in order to encourage natural feeding of infants. See details under Food.
6. Prize Chits and Money Circulation Schemes

The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 prohibits advertisements relating to prize chit and money circulation schemes.

7. Physicians

Under the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002, issued under the Indian Medical Council Act, 1956, physicians are not allowed to advertise their services in any form or manner of advertising through any mode, as soliciting of patients directly or indirectly, by a physician, by a group of physicians, or by institutions or organizations is unethical. (A physician refers to a doctor with a qualification of MBBS or MBBS with a postgraduate degree/diploma or with an equivalent qualification in any medical discipline.) However, medical practitioners are allowed to make a formal announcement in press regarding the following:

- On starting practice
- On change of type of practice
- On changing address
- On temporary absence from duty
- On resumption of another practice
- On succeeding to another practice
- Public declaration of charges

8. Legal Services

The Bar Council of India Rules formulated under the Advocates Act 1961 strictly enforce the advertisement ban and publicity rules governing law firms' websites. These rules were enacted and enforced to curb the false advertisement of lawyers to gain publicity to attract clients.
Regulations Related to Product and Service Advertising

1. Alcohol (Beer, Wine, and Spirits)

The Cable Television Network Rules, 1994, the Advertising Codes of Doordarshan, and the All India Radio and Norms for Journalist Conduct issued by the Press Council of India prohibit any advertisement directly or indirectly promoting the production, sale, or consumption of cigarettes, tobacco products, wine, liquor, or other intoxicants. However, some states allow advertising through billboards, signboards etc. but subject to many restrictions. Also, the ASCI Code prohibits use of minors for advertising alcohol products.

2. Professionals such as Chartered Accountants, Company Secretaries & Cost Accountants

These professionals are prohibited from soliciting clients or professional work by advertisement. However, they may issue advertisements about their firm or services of their firm, through any mode of transmission, having inter alia details of names of partners, address and website, telephone, mobile, e-mail, fax number of the member, year of establishment, additional recognized qualifications, languages spoken by the partner(s), honours or awards in the field of teaching, research, authorship etc.

3. Firearms, Weapons, and Ammunition

Sale and purchase of such items requires a license from government authorities. Therefore, advertisements related to such products are not permissible in India under the Arms Act, 1959.

4. Food

As per the Food Safety & Standards Act, 2006, no advertisement relating to the standard, quality, quantity or grade-composition, and no representation concerning the need for, or the usefulness of any food can be made which is misleading or deceiving or which contravenes the provisions of this law or rules and regulations made thereunder.
5. Infant Milk Food

The Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992 prohibits the advertising of infant milk substitutes or feeding bottles.

6. Gaming (gambling, games of chance; differentiate between private-sector and "state" lotteries)

The federal structure in the Constitution of India explicitly gives the States the right to legislate upon "gambling and betting". The Public Gambling Act, 1867 prohibits gambling activities in India. However, the Public Gambling Act permits games of mere skill. In April, 2011, the Information Technology Act, 2000 was also amended to ban Internet gambling and online betting websites. The Lotteries (Regulation) Act, 1998 gives power to the concerned State government to hold lotteries subject to prescribed conditions. Under section 294-A of the Indian Penal Code, advertisements of a lottery unless it is in accordance with the Lotteries (Regulation) Act shall be punishable.

The Prize Competitions Act, 1955 controls and regulates prize competitions in certain parts of India and prohibits the advertisement of unauthorized prize competitions.

7. Medical Devices

The authority principally responsible for regulating medical devices in India is the Central Drugs Standard Control Organization ("CDSCO") under the provisions of the Drugs & Cosmetics Act, 1940. CDSCO's functions include regulating the medical devices industry by approving for import, manufacture and sale of medical devices in India.

8. Medical Services

An institution run by a physician for a particular purpose such as a maternity home, nursing home, private hospital, rehabilitation centre or any type of training institution etc. may be advertised in the lay press, but such advertisements should not contain anything more than the name of the institution, type of patients admitted, type of training and other facilities offered and the fees.

10. Occult ("Psychic") Services

These services are not legally recognized in India and are not permissible under the Drugs and Magical Remedies (Objectionable Advertisements) Act, 1954

11. Pharmaceuticals (over-the-counter and prescription medications)

The phrase over-the-counter (OTC) has no legal recognition in India. All the drugs not included in the list of "prescription-only drugs" are considered to be non-prescription drugs (or OTC drugs). Prescription-only drugs are those medicines that are listed in Schedules H and X of the Drug and Cosmetics Rules, 1945.

12. Tests and Lab Analysis

The Drugs and Cosmetic Act, 1940 prohibits advertisements for any drug or cosmetic from using reports of tests or analysis of the Central Drugs Laboratory or by a government analyst.

13. Political Candidates, political platforms, political parties, political issues

The Representation of the People (Amendment) Act, 1996 has the following provisions relating to advertisements:

a. Prohibit advertisements for a period of forty-eight hours ending with the hours fixed for conclusion of polling for any elections in a given polling area.

b. Use of displaying posters, signboards etc. for political advertisement in any public place strictly in accordance with the relevant provisions of the local laws.

c. Equitable opportunity to all political parties and candidates to have access to public advertisement space for election related advertisements during the election period.
d. Use of private premises for political advertisement only with the voluntary permission of the occupant.

e. Prohibition of any and all advertisements at the cost of the public exchequer regarding achievements of the political party/ruling government.

The statute provides for a penalty of imprisonment and/or fine for anyone, including advertisers, who contravenes these provisions.

14. Products Related to Sexuality (condoms, ED drugs, etc.)

Advertisements related to sexuality are allowed with the provision that there should not be any indecent representation of women under the Indecent Representation of Women (Prohibition) Act 1986. Products must comply with the Drugs and Cosmetic Act 1940 and other certification rules under the Cable Television Network Rules 1994.

15. Religion

Under the Cable Television Networks Rules 1994, Advertising Codes of Doordarshan & All India Radio and Norms for Journalist Conduct issued by the Press Council of India, advertisement based on religion or to hurt religious sentiments are not allowed. Also, such advertisement may be punishable under Indian Penal Code 1860.

16. Securities

The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 issued under section 30 of the Securities and Exchange Board of India Act, 1992 prohibits fraudulent or unfair trade in securities. These regulations further provide that dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves an advertisement that is misleading or contains distorted information and which may influence the decision of the investors.

17. Sexual Services

Advertisement pertaining to sexual services is illegal in India.
18. Tobacco Products (cigarettes, cigars, snuff, pipe tobacco)

Please see para 1 above.

19. Toys

There is no specific restriction on the advertisement of toys provided they are in compliance with other applicable laws.

20. Advertisement by Companies

The Companies Act 1956 stipulates that no deposits from the general public should be accepted by public companies (other than non-banking financial companies) without issuing advertisement following the prescribed norms. The Companies Act has also specified various provisions relating to advertisement by Indian companies.

21. Advertisement Relating to Packaged Goods, etc.

The Standards of Weight & Measures Act, 1976 prohibits issuing advertisements otherwise than in accordance with the provisions of this law.

Regulations Related to Advertising Methodology

1. Advertising to Children (advertising during and immediately before and after children's programming)

The Young Persons (Harmful Publications) Act, 1956 prohibits advertisements relating to any harmful publication i.e., any publication that tends to corrupt a young person (person under the age of 18 years) by inciting or encouraging him or her to commit offenses or acts of violence or cruelty or in any other manner whatsoever.

According to the ASCI Code, advertisements addressed to minors shall not contain anything, whether in illustration or otherwise, which might result in their physical, mental, or moral harm or which exploits their vulnerability. For example, advertisements may not:

- Encourage minors to enter strange places or to converse with strangers in an effort to collect coupons, wrappers, labels or the like
• Feature dangerous or hazardous acts which are likely to encourage minors to emulate such acts in a manner which could cause harm or injury

• Show minors using or playing with matches or any inflammable or explosive substance; or playing with or using sharp knives, guns, or mechanical or electrical appliances, the careless use of which could lead to their suffering cuts, burns, shocks, or other injury

• Feature minors in promoting tobacco or alcohol-based products

• Feature personalities from the field of sports, music, or cinema for products which, by law, either require a health warning in their advertising or cannot be purchased by minors.

2. Celebrity Endorsements

No current restrictions.

3. Comparative Advertising (ads that compare the advertiser's product to that of a competitor)

The provisions pertaining to comparative representation were part of "Unfair Trade Practice" under the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act). After repeal of the MRTP Act, the provisions relating to unfair trade practices were inserted in the Consumer Protection Act, 1986. However, a business entity cannot claim relief against unfair comparative advertising under the Consumer Protection Act, as a business entity is not a consumer. This can be taken up only by consumer associations, the central government, or state governments, and it does not provide protection to the business entity equal to the protection under the MRTP Act. Thus, under the existing law, a manufacturer whose goods are disparaged has no standing to seek a remedy. Presently, in the absence of any specific legislative regulating comparative advertising, disputes are decided by various courts on the basis of the facts in each case. However, ASCI code (which is made part of the Cable Television Network Rules, 1994 as well) permits advertisement containing comparisons including those where a competitor is named in the interests of vigorous competition and public enlightenment, provided:
a. It is clear what aspects of the advertiser's product are being compared with what aspects of the competitor's product.

b. The subject matter of comparison is not chosen in such a way as to confer an artificial advantage upon the advertiser or so as to suggest that a better bargain is offered than is truly the case.

c. The comparisons are factual, accurate and capable of substantiation.

d. There is no likelihood of the consumer being misled as a result of the comparison, whether about the product advertised or that with which it is compared.

e. The advertisement does not unfairly denigrate attack or discredit other products, advertisers or advertisements directly or by implication.

Presently, ASCI is actively taking action against any advertisements making unsubstantiated claims, exaggeration, unfair denigration in violation of ASCI Code.

4. Contests (games of chance and games of skill)

The Public Gambling Act, 1867 prohibits gambling activities in India. However, the Public Gambling Act permits games of mere skill.

5. Deceptive or Misleading Advertising

Deceptive or misleading advertisements are restricted under the various legislations including the Consumer Protection Act, 1986; Cable Television Network Rules, 1994; Norms for Journalist Conduct issued by the Press Council of India Act and ASCI Code.

6. Surrogate Advertising

The ASCI Code provides that advertisements of products whose advertising is prohibited or restricted by law or by the ASCI Code must not circumvent such restrictions by purporting to be advertisements for other products the advertising of which is not prohibited or restricted by law or by ASCI Code. To determine if there is an indirect advertisement of prohibited products due attention shall be given to the following:
a. Visual content of the advertisement must depict only the product being advertised and not the prohibited or restricted product in any form or manner:

b. The advertisement must not make any direct or indirect reference to the prohibited or restricted products

c. The advertisement must not create any nuances or phrases promoting prohibited products

d. The advertisement must not use particular colors and layout or presentations associated with prohibited or restricted products

e. The advertisement must not use situations typical for promotion of prohibited or restricted products when advertising the other products.

The Cable Television Networks Rules, 1994 has also imposed similar restrictions to curb surrogate advertising.

7. Advertorials and Disguised Ads

The Norms for Journalist Conduct issued by the Press Council of India, Cable Television Network Rules, 1994 and Advertising Code of Doordarshan requires that advertisements must be clearly distinguishable from news content carried in the newspaper.

8. False Advertising

False advertisements are restricted under the various legislations including the Consumer Protection Act, 1986; Cable Television Network Rules, 1994; Norms for Journalist Conduct issued by the Press Council of India Act and ASCI Code.

9. "Free" Gifts/Samples

The Consumer Protection Act 1986, Section 2 (3) (a) states that (i) the offering of gifts, prizes or other items with the intention of not providing them as offered or creating impression that something is being given or offered free of charge when it is fully or partly covered by the amount charged in the transaction as a whole, or (ii) the conduct of any contest, lottery, game of chance or skill, for the purpose of promoting, directly or
indirectly, the sale, use or supply of any product or any business interest, is an unfair trade practice.

The Norms for Journalist Conduct issued by the Press Council of India has stated that gift including those given by the advertisement agencies for publication of material relating to their clients or otherwise should not be accepted by the journalist.

10. Free Speech (specific limitations, e.g. personal slurs, defamation, political statements)

Article 19(1)(a) of the Constitution of India protects the right to freedom of speech and expression, which is also extended to advertisements. However, like any other right, this freedom is also subject to reasonable restrictions imposed by Article 19(2) of the Constitution of India.

Furthermore, the ASCI Code states that no advertisement shall be permitted which:

- Derides any race, caste, color, creed, or nationality
- Tends to incite people to crime or to promote disorder and violence or intolerance
- Presents criminality as desirable or directly or indirectly encourages people, particularly minors, to emulate it or conveys the modus operandi of any crime
- Adversely affects friendly relations with a foreign state

Length, Volume, and Frequency of Commercials

The Telecom Regulatory Authority of India has issued the Standard of Quality of Service (Duration of Advertisements in Television Channels) Regulations, 2012, which regulates the duration of broadcasting an advertisement and the length of the commercial. Main features of these regulations are as under:

a. Advertisements exceeding twelve minutes in a clock hour and any shortfall of advertisement duration in any clock hour shall not be carried over by any broadcaster in any broadcast of its program.
b. The time gap between end of one advertisement session and the commencement of next advertisement session shall not be less than fifteen minutes (thirty minutes in case of a movie). However, this restriction is not applicable to live broadcast of a sporting event.

Nutritional Claims

The nutritional claims by the advertiser for selling their product undergo a keen check by the Food Safety and Standards Authority of India which is the country's food regulator under the provisions of the Food Safety & Standards Act, 2006. This regulatory body restricts any kind of false nutritional claims made by the companies and restricts them from broadcasting on television.

Rights of Privacy

Electronic Media Monitoring Centre of Ministry of information & Broadcasting, Government of India made the self-regulatory guidelines applicable to the Broadcasting Service Provider to protect the privacy of an individual.

Regional Public and/or Community Standards

Under the various legislations including Cable Television Network Rules, 1994; Norms for Journalist Conduct issued by the Press Council of India Act and ASCI Code, no advertisement to hurt community or any section of society is allowed. Also, such advertisements are punishable under Indian Penal Code 1860.

Sex in Advertising

The Indian Penal Code 1860 prohibits obscene publications. Further, the Indecent Representation of Women (Prohibition) Act, 1986 prohibits indecent representations of women.

Sponsorships

Sponsorship by products which are banned from advertising is restricted to provide any kind of sponsorship. Also, and misleading representation of sponsorship is an unfair trade practice under the Consumer Protection Act, 1986.
Subliminal Advertising

There are no laws defining subliminal advertising or to restrict such practice. Although misleading advertisements are banned and restricted.

Sweepstakes Offers

No current restriction. However, any offer to deceive the consumers is restricted from advertising and a proper legal action will be taken against them.

Testimonials

Any testimonial must be true failing which appropriate actions can be taken by ASCI and under the Consumer Protection Act 1986.

Use of a Public Person's Image or Name

No advertisement should be in violation of Emblems and Names (Prevention of Improper Use) Act, 1950.

Use of Children in Advertising

No current restrictions but other applicable laws need to be followed.

Use of Foreign Language in Advertising

No current restrictions but other applicable laws need to be followed.

Use of Models as Doctors, Nurses, Lawyers, or other Professionals

There are no restrictions on the use of models as doctors, nurses, or lawyers; however, there should be no misleading or controversial advertisement.

Violence in Advertising

Regulations Related to Media Channels

Billboard Advertising

Outdoor advertisement through billboards is regulated by jurisdictional municipal corporations. The content of the advertisement should however be in accordance with ASCI Code and other applicable laws.

Digital Media Advertising (websites, online advertising, Social Media Advertising)

Online advertisement and website content including social media sites such as Facebook and Twitter must comply with a range of marketing, consumer, privacy, and contract laws. Online advertisers should comply with ASCI, the Indian Penal Code, the Information Technology Act, 2000 and other applicable laws. For this purpose, the Information Technology Act was amended in 2011.

Direct Mail Advertising or Email Advertising (Spam)

Currently, no regulation exists specific to this. However, any such advertisement has to be in compliance with the ASCI Code and other applicable laws.

Newspaper Advertising

The Press Council of India constituted under the Press Council of India Act 1978 has issued Norms for Journalist Conduct, a reference guide for the press. These norms include advertising norms similar to provisions in the ASCI Code and prohibit, inter alia, advertisements that are vulgar; advertisements promoting cigarettes, tobacco products, wine, liquor, and other intoxicants; advertisements hurting religious or communal sentiments; or any advertisement prohibited by any other law. Also, ASCI approached the Press Council of India to incorporate the ASCI Code into its regulations.

Periodical Advertising (regularly published print media: magazines, journals, newspapers)

The term "newspaper" under the Press Council of India Act means any printed periodical work containing public news or comments on public news and includes such other class of printed periodical work as may, from time to time, be notified in this behalf by the Central Government in the Official Gazette. Any periodical which is a newspaper as
defined above has to comply with **Norms for Journalist Conduct** issued by **Press Council of India**.

**Radio & Doordarshan Advertising**

The **Code for Commercial Advertising on Doordarshan and All India Radio**[^4]: All advertisement on **Doordarshan** and **All India Radio** ("AIR") should conform to the code issued by Director General of each Doordarshan and AIR respectively. These codes have also mandated compliance to the **ASCI Code** and in general prohibit any advertisement containing the following:

- Criticism of friendly countries
- Attack on religions or communities
- Obscenity
- Defamation
- Incitement to violence or anything against maintenance of law and order
- Contempt of court
- Aspersions against the integrity of the president and judiciary
- Anything compromising the integrity of the nation
- Criticism by name of any person

**Telemarketing and SMS Marketing**

Any person or legal entity engaging in the activity of telemarketing or bulk Short Message Servicing(SMS) is required to register itself with **Telecom Regulatory Authority of India (TRAI)** and must comply with the guidelines laid down by TRAI in this respect.

**TV Advertising**

The advertising code issued under the **Cable Television Network Rules, 1994** require advertising carried on the cable service to conform to the laws of the country and not to offend morality, decency, or religious sensibilities of the subscribers. The rules make the **ASCI Code** compulsory for television and state that no advertisement which

[^4]: Code reference not provided in the image.
violates the ASCI Code shall be carried on the cable service. Under the rules, no advertisement shall be permitted though cable services which:

- Derides any race, caste, color, creed, or nationality
- Is against any provision of the Constitution of India
- Tends to incite people to crime, cause disorder or violence or breach of law or glorifies violence or obscenity in any way
- Presents criminality as desirable
- Exploits the national emblem, or any part of the Constitution or the person or personality of a national leader or a State dignitary
- In its depiction of women, violates the constitutional guarantees to all citizens. In particular, no advertisement shall be permitted which projects a derogatory image of women
- Exploits social evils like dowry, child marriage
- Promotes directly or indirectly production, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants. However a product that uses a brand name or logo which is also used for cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants, may be advertised subject to prescribed conditions
- Promotes infant milk substitutes, feeding bottles, or infant food
- Be wholly or mainly of a religious or political nature or be directed towards any religious or political end
- Contain references which hurt religious sentiments
- Endanger the safety of children or creates in them any interest in unhealthy practices or shows them begging or in an undignified or indecent manner.
- Promote goods or services that suffer from any defect or deficiency as mentioned in Consumer Protection Act, 1986
• Contain references which are likely to lead the public to infer that the product advertised or any of its ingredients has some special or miraculous or super-natural property or quality which is difficult to prove

• The picture and the audible matter of the advertisement shall not be excessively "loud".

• Contain indecent, vulgar, suggestive, repulsive or offensive themes

• All advertisement should be clearly distinguishable from the programme and should not in any manner interfere with the programme viz, use of lower part of screen to carry captions, static or moving alongside the programme.

• No programme shall carry advertisements exceeding twelve minutes per hour, which may include up to ten minutes per hour of commercial advertisements, and up to two minutes per hour of a channel's self-promotional programmes.

News Broadcasters Association Regulations

News Broadcasters Association(“NBA”) represents the private television news & current affairs broadcasters in India. NBA presently has 20 leading news and current affairs broadcasters (comprising 45 news and current affairs channels) as its members. According to News Broadcasting Standards Regulations (NBA Regulations) issued by NBA any broadcast (which includes advertisement) should be in compliance with NBA's code of conduct. NBA's code has made procedure for compliant against broadcaster who in breach inter alia of the following:

a. Depiction of violence or intimidation against women and children;

b. Sex and nudity;

c. Endangering national security; and

d. Refraining from advocating or encouraging superstition and occultism.
Regulatory Agencies

There are various regulatory agencies which regulate advertising in India. They are:

a. Indian Broadcasting Foundation and Broadcasting Content Complaints Council ("BCCC")

Scope of agency responsibilities: Independent council set up by the Indian Broadcasting Foundation ("IBF"), India's premier organization of television broadcasters. The complaints regarding content carried on TV channels are being addressed by Ministry of Information and Broadcasting, Government of India as per the extant provisions under the Cable Television Networks (Regulation) Act, 1995 and related rules/guidelines. At the industry level, BCCC examines complaints about television programs including advertisement received from the viewers or any other sources, including NGOs, RWAs, Ministry of Information and Broadcasting, against its members. BCCC ensures that the programs are in conformity with the content guidelines. On receiving a consumer complaint, the agency validates the information against the official records. BCCC usually passes the final orders within three weeks of the receipt of the complaint. Any directive issued by the BCCC to the IBF is binding and must be implemented with immediate effect. In case of non-adherence of the directions of BCCC by the TV channel, it may inter alia initiate actions to expel the concerned member and to recommend the Ministry of Information and Broadcasting, Government of India for appropriate action against the channel as per the law.

In case of any complaints received by the BCCC for a channel which is not a member of IBF, then such complaint shall be forwarded to the Ministry of Information and Broadcasting, Government of India for appropriate action.

b. ASCI and ASCI's Consumer Complaints Council (ASCI's CCC)

Scope of agency responsibilities: Serves for the redressal of consumer complaints and grievances. The ASCI's CCC comprises:

- Twelve non-advertising professionals representing civil society, recognised opinion leaders in disciplines such as medical, legal, industrial design,
engineering, chemical technology, human resources and consumer interest groups; and

- Nine advertising practitioners from member firms of ASCI.

The ASCI's CCC decides upon the complaints within a period of four to six weeks after giving the other party an opportunity of being heard. If the complaint is upheld, then the advertiser and its agency are given two weeks to comply with the ASCI's CCC decision. Noncompliant advertisements are published in ASCI's Media quarterly release on an all-India basis. In the case of noncompliant television advertisements, the advertiser is in violation of the Cable TV Networks (Regulation) Act 1995 and will be reported to the Ministry of Information & Broadcasting, Government of India. In the case of noncompliant advertisements in the press, ASCI will inform the Press Council of India about breach of the ASCI Code.

c. Electronic Media Monitoring Centre (EMMC)

**Scope of agency responsibilities:** The EMMC was established by the Ministry of Information and Broadcasting, Government of India, with the aim to have effective monitoring of the content of various FM and TV channels beaming over Indian territory for any violation of the Programme Code, the Advertisement Code, various provisions of the Cable Television Networks Regulation Act, or any other law relevant to the content of television channel. As per the self-regulation mechanism of the EMMC, it is responsibility of each broadcasting service provider to ensure that each advertisement complies with the ASCI Code.

d. Telecom Regulatory Authority of India (TRAI)

**Scope of agency responsibilities:** The Telecom Regulatory Authority of India (TRAI) was established in 1997 through an Act of Parliament, viz., the Telecom Regulatory Authority of India Act, 1997. Telecom Regulatory Authority of India's mission is to ensure that the interests of consumers are protected and at the same time to nurture conditions for growth of telecommunications, broadcasting and cable services in a manner and at a pace which will enable India to play a leading role in the emerging global information society.
TRAI has notified "The Telecom Commercial Communication Customer Preference Regulations, 2010" to curb growing menace and effectively regulate unsolicited commercial calls and messages ("UCC"). The Telecom Commercial Communications Customer Preference Portal is a database containing a variety of information prescribed in "The Telecom Commercial Communications Customer Preference Regulations, 2010". Customers who do not want to receive commercial communications can register in either Fully Blocked Category (stoppage of all commercial Calls/SMS) or Partially Blocked Category (stoppage of all commercial Calls/SMS except SMS) by sending prescribed message to 1909 with National Customer Preference Register.

On successful registration, customer will receive an SMS confirming exercised options and a Unique Registration Number within 24 hrs. The registration will be effective within 7 days of placing the request with the service provider. If customer receives UCC even after 7 days of registration, he can register a complaint with his service provider within 3 days of receipt of such UCC by dialing or sending SMS to 1909. Customers will have to provide the telephone number or header of the message from where the call or message has been received, short description of such call or message along with the date and time.

Customers not registered with NCPR can also identify the commercial calls because they will all come from numbers starting with '140'. This is a series specially earmarked for telemarketers.

e. Press Council of India

Scope of agency responsibilities: The Press Council of India ("PCI") functions under the Press Council Act 1978. It is a statutory, quasi-judicial body which acts as a watchdog of the press. It adjudicates the complaints against and by the press for violation of ethics and for violation of the freedom of the press respectively. PCI is headed by a Chairman, who has by convention, been a retired judge of the Supreme Court of India. PCI consists of 28 other members of whom 20 represent the press and are nominated by the press organisations/news agencies recognised and notified by PCI as all India bodies of categories such as editors, working journalists and owners and managers of newspaper, 5 members are nominated from the two houses of Parliament and 3 represent
cultural, literary and legal fields as nominees of the Sahitya Academy, University Grants Commission and the Bar Council of India.

A complaint against a newspaper should first be taken up with the editor or other representative of the publication concerned. If the complaint is not resolved to satisfaction of complainant, it may be referred to PCI within two months of the publication of impugned news item in case of dailies and weeklies and four months in all other cases, along with the original/photostat copy of the impugned clipping (English translation if the matter is in vernacular) along with a copy of your letter to the editor & editor's reply.

On receipt of a complaint made to it or otherwise, if PCI is prima facie satisfied that the matter discloses sufficient ground for inquiry, it issues show cause notice to the respondents and then considers the matter through its Inquiry Committee on the basis of written and oral evidence tendered before it. If on inquiry, PCI has reason to believe that the respondent newspaper has violated journalistic norms, PCI keeping in view the gravity of the misconduct committed by the newspaper, warns, admonishes or censures the newspaper or disapproves the conduct of the editor or the journalist as the case may be. It may also direct the respondent newspaper to publish the contradiction of the complainant or a gist of the PCI's decision in its forthcoming issue.

f. News Broadcasters Association and News Broadcasting Standards Authority

Scope of agency responsibilities: The News Broadcasting Standards Authority of NBA perform its functions and exercise the powers vested in it under NBA Regulations in relation to, and upon, the members and associate members of NBA or in relation to such other complaints or broadcasters and channels as may be referred to the Authority by the Ministry of Information & Broadcasting or other Ministry or other governmental body. Upon receiving complaint from any aggrieved person, NBA will issue notice to the concerned broadcaster not later than 14 (fourteen) days from the date of receipt of a complaint to show cause why action should not be taken against such broadcaster. The said Authority may, after inquiry, warn, admonish, censure, express disapproval against and/or impose a fine (of upto INR 100,000) upon the broadcaster and or recommend to the concerned authority for suspension/revocation of license of such broadcaster.
g. **Director General of All India Radio & Doordarshan**

**Scope of agency responsibilities:** To regulate the functioning of All India Radio and Doordarshan. Complaints or reports on contraventions of the code received by All India Radio/Doordarshan may in the first instant be referred by Director General to Advertiser's Association concerned with request for suitable action. If complaints under the Code cannot be satisfactorily resolved at Association-(s)'s level, they shall be reported to Director General who will then consider suitable action. For any Complaints under the Code received by All India Radio/Doordarshan concerning a party outside the purview of various member Association(s), the Director General will draw attention of such party to the complaint and where necessary, take suitable action on his own.

h. **National Consumer Dispute Redressal Commission**

**Scope of agency responsibilities:** To provide inexpensive, speedy and summary redressal of all types of consumer disputes through quasi-judicial bodies in each District and State and at the National level, called the District Forums, the State Consumer Disputes Redressal Commissions and the National Consumer Disputes Redressal Commission respectively under the provisions of the Consumer Protection Act, 1986. The remedy under the Consumer Protection Act is an alternative in addition to that already available to the aggrieved persons/consumers by way of civil suit.

i. **Food Safety and Standards Authority of India (FSSAI)**

**Scope of agency responsibilities:** FSSAI has been created for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption.

j. **Central Drugs Standard Control Organization (CDSCO)**

**Scope of agency responsibilities:** CDSCO regulates the approval of new drugs, clinical trials in the country, laying down the standards for drugs & medical devices, control over the quality of imported drugs, testing of drugs, coordination of the activities of State drug control organisations and providing expert advice with a view of bring about the uniformity in the enforcement of the Drugs and Cosmetics Act in India.
Advertising Pre-Clearance Agencies

In India presently there is no pre-clearance agency for advertisements although the advertisers have to take permission from the local municipal corporation if they want to publicize their products through billboards or through posters.

Trends

Up to the present, a number of factors have impeded protection of consumers as well as other stakeholders of the advertising industry. Notable among these factors are:

- The absence of any uniform advertising regulation or regulating agency
- Ineffective enforcement
- Complaint redressal systems that are difficult for most consumers to access
- Lack of education amongst consumers
- Overlapping jurisdiction of authorities on issues relating to advertisement

Presently there are more than 150 TV channels and more than 82,000 registered newspapers in India. To verify whether their content, including advertisements, adheres to the codes of conduct under various laws is a challenging task. The number of advertisements which are patently false and misleading, promoting dubious products and making unsubstantiated claims is significant. In reality, most of these advertisements escape the scrutiny of regulatory bodies.

With globalization and economic liberalization, the Indian market has shown a tremendous growth in the early 1990s and according to Goldman Sachs, it will be the third-largest economy of the world by 2035. In response to this tremendous economic growth and industrialization, the Indian government is continuously promulgating advertising regulations outlining the ways in which products and services can be advertised to the general public and other stakeholders while protecting the consumers' interests. However, the absence of uniform legislation and single regulator makes it difficult to effectively implementing any advertising related law. Most of self-regulating codes issued by various industry associations are contractually binding only on their members and have no force of law. Therefore, to protect the interests of consumers and their belief in
advertisement, it is necessary to have a uniform legislation with a single regulator who can provide expedient relief and easy access for consumers and other stakeholders.

1.4 THE RETAIL INDUSTRY IN INDIA

The retail market in India is one of the pillars of the economy and accounts for about 15% of the GDP as well as 8 percent of its workforce (Gopal & Suryanayana, 2011). The Indian retail market is one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. Despite its size, many of the businesses that operate within the country are family-owned and operate within their houses.

It has been found that retail sector is the second largest employer after agriculture and alone generates more than 35 million job opportunities (Deloitte, 2014). The retail industry in India is segregated into two sectors: organized and unorganized retailing (Madasamy & Thangadurai, 2012). Organized retailing implies trading activities which are undertaken by retailers who are registered for sales tax, Income tax etc. Hypermarkets, supermarkets, super stores, retail chains, privately owned large retail businesses are some of the examples of organized retailing. Unorganized retailing includes local Kirana shops, owner managed general stores, street vendors and convenience stores (Madasamy & Thangadurai, 2012).

After the opening of the economy in 1991 it has been seen that traditional markets are paving way for development of departmental stores, supermarkets, specialty stores. Despite it Indian retail sector is mainly dominated by 95% of unorganized segment (IBEF, 2014). In the developed nations, the organized retail industry accounts for almost 85% of the total retail trade whereas in India organized retail trade accounts for merely 5% of the total retail trade (Retail, 2013). This highlights tremendous potential for retail sector growth in India.

India's retail and logistics industry, organized or unorganized in combination, employs about 40 million Indians (3.3% of Indian population) (Mehta, 2013). Now over 14 million outlets operate in the country and only 4% of them are larger than 500 sq ft in size. India has about 11 shops outlets for every 1000 people (Maheswaran, 2013). Until the 1990s, regulations prevented innovation and entrepreneurship in India retailing. Some
retail were faced with regulations such as signboard licenses and anti-branding measures before they could open doors (Devi, nd). From the post liberalization era of the 1995, the modern formats started gaining mind share and market share from the traditional mom and pop stores, kiranas, khadi stores or the government managed public distribution system (Rao & Manikyam, 2013).

The era of modern retailing in India goes far back as 1980 when the idea of organized retailing was conceived and the manufacturers began to open their own outlets. This was the initiation stage of organized retailing. Then comes the second stage of conceptualization ranging from 1990 to 2005, a span of fifteen years under which pure play retailers had realized the potential of the retail market especially in the garment and apparel sector. The third stage in the evolution of modern retailing in India is the stage of expansion which lasted from 2005 to 2010. The stage of expansion registered a substantial investment by large Indian corporate such as Tata & Reliance. Big companies had a foray into food and merchandise category and expended across India. The stage of 2010 and onward comes under consolidation. Under it many international brands have entered the country, FDI single brand retail has been further liberalized by allowing 100% FDI, from the 51% cap.

The modern retail format in India has evolved from the days of the primitive weekly markets or village fairs. Gradually it has changed into a form of more conscious profession of delivering consistent quality shopping experience (Basu, 2013). In India, modern retail gained momentum around January 2006 with the announcement of its progressive relaxation policy of 51% FDI in single brand retail (Basu, 2013). India has years of debate and discussions on the risk and prudence of allowing innovation and competition within retail sector. Many economists already recommended the government of India that legal restrictions on organized retail must be removed, and retail industry must be opened to competition (Wiki). Jagdish Bhagwati, Professor of Economics and Law at the Columbia University analysed the relationship between growth and poverty reduction and then urged the Indian Parliament in an invited address in 2010 to extend economic reforms by freeing up of the retail industry, further liberalization of trade in all sectors, and introducing labor market reforms. Professor Bhagwati argued that such reforms would accelerate economic growth and make a sustainable difference in life of India's poorest. Conceptualisation of the modern formats started mostly in the apparel
sector followed by a substantial investment committed by the indigenous corporate giants from 2005 onward, with an entry into the food and grocery segment across the top 100 cities in India (Indian brand equity foundation, 2011). A.T. Kearney estimates India's organized retail had a 31% share in cloths and apparel, while the home supplies retail was growing between 20% to 30% per year.

Around 2010, the influx of international brands and stores added a notable dimension to the retail landscape shaping the life style of transforming India. However, even after 20 yrs of organized retail, growth has been predominantly urban, owing to the opportunities of the urban consumers in terms of their purchasing power and comparably global lifestyle.

The increased sophistication in the shopping pattern of consumers has resulted in big retail chains coming up in most metros; mini metros and towns. The change in consumer taste and preferences, radical alteration in lifestyles and spending patterns are giving rise to new business opportunities for modern retailing (Reddy & Venkatanarsri, 2012).

The Indian retail industry has experienced tremendous growth over the last decade with a significant shift towards organized retailing format and development taking place not just in major cities and metros, but also in Tier II and Tier III cities. This, in turn, is reflected in India’s retail market, which in 2013, was estimated at US$520 billion and is expected to reach around US$950 billion by 2018 (EY-RAI, 2014).

Organized retail penetration, currently estimated at 7.5%, is expected to clock a 19-20% p.a. growth to reach 10% by 2018. Organized and modern retailing in India is a huge industry in terms of size. According to A.T. Kearney’s annual Global Retail Development Index (GRDI), for the third consecutive year India has topped maintaining its position as the most attractive market for retail investment.

Improvement in business models and operations, coupled with movement from unorganized to organized trade are expected to play an integral role in driving this growth (IBEF, 2014). Favorable demographics, increasing urbanization, nuclear families, rising affluence amid consumers, growing preference for branded products and higher aspirations are other factors which will drive retail consumption in India. Both organized and unorganized retail are bound not only to coexist but also achieve rapid and sustained
growth in the coming years. Food and grocery is the largest category within the retail sector with 60 per cent share followed by the apparel and mobile segment.

India holds a substantial advantage over other emerging retail destinations owing to its strong domestic consumption and low rate of market penetration by overseas retailers. “India’s new middle class is increasingly becoming brand conscious and willing to spend on quality goods, a trend which is creating numerous business opportunities for mid-range international brands. With political and economic sentiments already showing signs of improvement, we believe this is the right time for international retailers to look at India for expansion into the region,” as per Mr Anshuman Magazine, Chairman and Managing Director, CB Richard Ellis (CBRE), South Asia(IBEF,2014).

Owing to rapid growth, shopping malls are becoming increasingly common in big cities. The number of department stores is growing at a much faster rate. According to the estimates of Indian Retail Report 2011, organized and modern retail in the next five years is expected to contribute to a minimum of one third of the market of 40 trillion. This report estimates that the modern retail would have 19.3 percentage share of the total retail market by the year 2016. The increase in choice of consumers in India may be attributed to the development of modern retailing. The advent of modern retailing in the emerging markets has brought about developments in the areas of technology transfer, enhanced quality levels of produce, products at competitive prices, better procurement practices and enhanced employment opportunities etc.

Globally, India is among the top 10 and among the fastest growing retail markets. In 2013, the Indian retail sector was estimated at US$520 billion and was among the largest employers in the country. Organized retail market in India is burgeoning and is expected to grow at CAGR of 19-20% over the next 5 years (EY-RAI, 2014).

Penetration in tier II and III cities and improvement in business models and operations will be the top themes of growth for the organized retail sector. Tier-II and tier-III cities such as Jaipur, Nagpur, Ludhiana, Vadodara, Aurangabad, Kochi etc., are emerging as the new “hot spots” of consumption. Organized retailers are increasingly setting up stores in these smaller cities (EY-RAI, 2014).
There is increasing focus on profitable growth in the sector. Most retailers seem to be focusing on transformation of existing operations rather than introducing new formats. Moreover, retailers are expecting existing formats to deliver a like-to-like growth of around 10% this year. In a nutshell, leading retailers seem to driving the dual themes of expansion and internal improvement for sustainable growth. Furthermore, retailers expect that customer sentiments will improve, which will provide further impetus to the growth of the organized sector.

1.4.1 FDI in Retail

The Government of India, through its reforms in FDI for retailing seems to be repositioning the Indian retail sector on the global map of investments. India categorizes retail trading into single brand retail trading (SBRT) and multi-brand retail trading (MBRT). Currently, FDI under SBRT is permitted to the extent of 100% and FDI under MBRT is permitted to the extent of 51% with select conditions and Government approval. A breakthrough was achieved when the government announced 100% foreign direct investment under the automatic route in cash & carry wholesale post which there was intense uproar for and against the FDI.

While the FDI policy for SBRT has received favorable response, the FDI policy for MBRT has been slow to gain the traction among international retailers. Given this, the GoI seems to be working toward relaxing some aspects of the FDI policy, which could propel more international retailers to invest in the country.

Foreign retailers will now be allowed to open stores in cities that have a population of less than one million. The move will allow stores to come up in cities such as Gurgaon and Aurangabad (TOI, 2013).

Investment in retail will benefit across the board segment such as increasing employment to a major chunk of unemployed people to making the infrastructure more stable and healthy. Figure 1.9 mentions the benefits of FDI in retail. The model also mentions the entry route for the different sectors. The manufacturers are bound to gain from it as the government has set a cap of 30% procurement mandatory from SMEs & not at arbitrary Price. The removal of middle men is likely to bring transparency in the sector.
Figure 1.9 Benefits of FDI in Indian Retail

Source: IBEF, 2013

The Indian did manage to attract some investments in single-brand retail - Swedish furniture-maker IKEA, British footwear retailer Pavers and Swedish retail-clothing company Hennes & Mauritz announced plans for India - but there has only been a single FDI proposal in multi-brand retail in India. British retailer Tesco will buy 50 per cent stake in Tata Group-owned Trent Hypermarkets for $110 million (BT, 2014).

Several stipulations in the existing FDI policy are acting as deterrents for global retailers, say industry insiders. For example, the Department of Industrial Policy and Promotion (DIPP), the authority that frames FDI policy, stipulated that foreign retailers with plans to set-up multi-brand chains have to invest a minimum $100 million with 50 per cent of that amount spent in building back-end infrastructure such as warehouses and cold storage facilities. This proposal has upset retailers because investing 50 per cent in back-end operations initially is difficult when the focus has to be on increasing the store count to acquire scale. Harminder Sahni, Founder and Managing Director at retail consulting firm Wazir Advisors, says that it is not an attractive policy for retailers in its present form. "If the new government is interested in bringing foreign investors, the whole policy has to be rewritten," he says (BT,2014).
The new Indian government is in favor of FDI in infrastructure and several other sectors but "we don't want FDI in multi-brand retail because that will save jobs in the manufacturing sector," says government spokesperson Prakash Javadekar. The main problem is the sourcing of products, according to him. "Global chains are expected to source their products from multiple countries which will lead to large scale job losses in manufacturing," he adds (BT, 2014).

The opposition to multi-brand retail is also stemming from the threat that these global chains are likely to pose for local mom-and-pop shops. With their competitive pricing techniques, political parties feel that modern retailers can snatch away business from Kirana Stores (BT, 2014).

Continued uncertainty on the issue of multi-brand retail could send wrong signals to the global business and investor community, say experts. A few months ago, 12 states and union territories had allowed FDI in multi-brand retail. In the last four months, two - Delhi and Rajasthan - have decided to opt out of this list with the formation of new governments. "If I was one of these foreign retail chains, I would be really concerned," says Amitabh Mall, Partner, Boston Consulting Group (BT, 2014).

A long break-even period and limited geographical locations are forcing retailers to either hold back their India plans or look for other avenues to grow in the country. Walmart India, which currently operates 20 cash-and-carry - or wholesale trade - stores (named Best Price Modern Wholesale), has plans to open 50 more such stores in the next four to five years. Some consider expansion of cash-and-carry business a strategic decision. Retailers want to build strong network of vendors and stores which could support their front-end business as and when they get approvals (BT, 2014).

India is trying to modernize its front-end retail sector. But with entry barriers to FDI being raised, it seems the country has taken two steps backward after a step forward.

The CFOs in the Indian retail sector believe that – (a) allowing FDI in online retail, (b) clarity on provisions of sourcing, (c) revisiting and clarity on investment in back-end and (d) limiting the role of the state could be some of the changes which could shift momentum to FDI in retailing.
1.4.2 GST in Retail

GoI has proposed Goods & Services Tax (GST). Once implemented it will simplify the supply chain and bring down price/cost. The GST, originally proposed to be introduced with effect from April 2010, is yet to be rolled out. Difference in opinion among states, insistence of states on commitment of the federal government to compensate for possible revenue losses, coverage of specific products, procedural delays together with consensus on the Constitutional Amendment Bill are some of the key factors delaying the introduction of GST in the country. Given these issues, CFOs in the Indian retail sector don’t expect GST to be rolled out in 2014 and therefore, seem to have put the preparation for GST on the back burner (EY-RAI, 2014).

1.4.3 Concerns and Focus areas in Retail

Although India presents a large market opportunity due to the number and increasing purchasing power of consumers, there are significant challenges before the modern retailing as well. Over 95% of trade is conducted through independent local stores.

Other challenges may include geographically dispersed population, complex distribution network, small ticket sizes, and little use of IT systems, limitations of mass media and above all existence of counterfeit goods.

Achieving profitable growth and inventory management seem to be the top concerns of a retail CFO in 2014. In light of the various opportunities and challenges posed by the Indian retail sector, retailers are increasingly focusing on balancing expansion with profitability.

Despite considerable investment of time and capital, the returns from the business are a concern. Going forward, the organized retail sector is expected to grow at significant rate of 19-20% p.a. given that, it is critical that the business starts generating positive cash flows and is self sustaining (EY-RAI, 2014).

Inventory management is a top concern for CFOs. This is largely driven by the vagaries in the Indian supply chain such as low fill rates, long lead times and ordering cycles and lack of process orientation. These result in high inventory holding, low turns and high investment in stock.
At the store level, top two focus areas in 2014 for retailers are — driving revenue growth and inventory management. Furthermore, cost rationalization features as the third-most important area.

- **Revenue enhancement**: The focus is on improving productivity from the existing resources such as space, people etc. Retailers are focusing on levers of customer service and talent retention to improve their productivity.

- **Inventory management**: Retailers are focusing on optimizing inventory turns, investment in inventory and drive freshness in stores.

- **Cost rationalization**: Retailers are continuing their efforts to keep store costs in check. Some cost rationalization initiatives adopted by leading retailers in the recent past are:
  
  (a) revenue-sharing agreements to protect the downside on rent,
  
  (b) increasing use of power-saving equipment/fit-outs to save utilities cost,
  
  (c) staffing promoters and contract employees to reduce manpower costs etc.

At company level, profitability features as the top priority for retailers. This is largely expected to be driven by improving supply chain, efficient buying and merchandizing and keeping other corporate costs in line with the scale of business.

In 2014, leading retailers are putting financial goal of profitability on the top of their agenda. At store level, the retailers are focusing on improving store profitability further through productivity enhancement and better inventory management. At corporate level, the retailers are keeping major costs such as supply chain and manpower in line with the revenue to ensure profitable growth of the business.
1.4.4 Retail Formats in India

<table>
<thead>
<tr>
<th>Format</th>
<th>Store Features</th>
<th>Retail Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypermarket</td>
<td>Large stores with 50,000 to 1,000,000 square feet space; offer large basket product from grocery, fresh &amp; processed food, beauty &amp; household products, clothing &amp; appliances.</td>
<td>Pantaloons, Hyper City, Trent, Spencer's, Hypermarket, Big Bazaar</td>
</tr>
<tr>
<td>Cash and Carry</td>
<td>Very large store with over 75,000 square feet space carrying thousands of stock keeping units; B2B focus for bulk buying &amp; selling; legally restricted to sell fresh produce &amp; liquor.</td>
<td>Metro</td>
</tr>
<tr>
<td>Department Store</td>
<td>Large layout with 10,000 to 60,000 square feet retail space; wide range of merchandise across cohesive categories; mainly in garments along with fashion accessories, gifts, home furnishing; wider consumer-audience catchment &amp; in-store service are major differentiators.</td>
<td>Pantaloons, Trent, Shoppers Stop, Westside, Ebony, Lifestyle, Globus</td>
</tr>
<tr>
<td>Supermarket</td>
<td>High growth format (Shenoy, Sequeira, &amp; Devaraj, 2012); large in size with typical layout; offers household products &amp; food.</td>
<td>Aditya Birla Retail, Reliance Fresh, 6ten, Nilgiri's, Spencers, Food Bazaar, Apna Bazaar, Sabka Bazaar</td>
</tr>
<tr>
<td>Shop in Shop</td>
<td>Presence within large formats, departments or supermarkets; efficiently managed through supply chain &amp; fast stock replenishment with scaled down store space.</td>
<td>Infinity (Jewellery); Revlon, Chambor (Cosmetics); Nina Ricci (Perfumes); Cross (Pens)</td>
</tr>
<tr>
<td>Specialty Store</td>
<td>Single category store with focus on individual &amp; group clusters of the same class with high product loyalty; includes focused apparel chains and brand shops.</td>
<td>Titan, Tanishq, The Mobile Store (Mobile Phones &amp; Accessories); Archies (Gift Store); Fab India (Apparel)</td>
</tr>
<tr>
<td>Category Killers</td>
<td>Large Specialty Stores with an average size of 18,000 square feet; focus on wide range within particular segment at affordable prices.</td>
<td>Nallis (Sarees); The Loft (Footwear); Haldimad Food City (Food)</td>
</tr>
<tr>
<td>Discount Store</td>
<td>Offers wide range of branded products at discounted prices; average size is 1,000 square feet; includes factory outlets.</td>
<td>Subhiksha (discontinued) (Sathyනarayanан, 2012); Margin Free (Food &amp; Grocery); Koutons, Brand Factory (Apparel); Nike/Levis factory outlets</td>
</tr>
<tr>
<td>Convenience Store</td>
<td>Small (average 800 square feet) residential area retail stores; open long hours 7 days a week; carrying limited range of staple &amp; grocery.</td>
<td>In and Out, Safal</td>
</tr>
</tbody>
</table>

Figure 1.10 Retail Formats in India


Now, the retail sector of India can be categorized as (1) mono/exclusive branded retail shops, (2) multi-brand retail shops, (3) convergence retail outlets, & (4) e-trailers. The mono or exclusive showrooms are specialized show rooms dealing in exclusive brands only and are either owned or franchised by a manufacturer. The exclusive show rooms deal in a complete range of a given brand with certified quality.

The multi-brand retail shops lay a focus on particular product categories and carry most of the brands available. Customers in the multi-brand retail outlets have the choice to pick any (one) brand that are on display.

The convergence retail outlets deal in multi faceted brands and display most of convergence as well as consumer electronics products on encompassing communication
and IT, these retail outlets are one-stop shops where the customers have the availability of many product lines of several brands.

The e-trailers have very fast made a foothold in the Indian retail sector because of the promising youth sector and internet availability. E-trailers are online shopping facility available with the customers for buying and selling products and services. Online shopping provides the customers with 24×7 access with several transaction, hassle free & timely services.

Figure 1.10 shows some of the popular retail formats in India. Let us discuss these formats in detail.

1. **Hypermarket**: Hypermarkets offer customers the most extensive merchandise collection & brand choices under one roof. The size of a hypermarket ranges from 50,000 and 100,000 sq ft and combines supermarket, discount, and warehouse retailing. They deal in furniture, large and small appliances, clothing, fresh produce, FMCG products, electronics, apparels, house ware, do it yourself etc. The number of hypermarkets in India is increasing very fast. One of the leading players of hypermarkets is pantaloon retail which owns Big Bazaar. Other players in this format are Hyper City, Trent (star bazaar), Spencer Hyper, Aditya Birla & Reliance.

2. **Cash and Carry**: They are very large stores with around 75,000 sq ft, carrying thousands of stocks keeping units. They focus on bulk buying and selling. Metro has started the cash and carry. At present, metro is operating five stores across Delhi, Mumbai, Bangalore, & Hyderabad.

3. **Department Stores**: Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Department stores deal in a variety of goods and services. These goods and services are organised into separate departments for the purpose of hassle free buying and selling. These stores provide the customers ease of shopping. Department stores here in India are less compared to other retail formats such as hypermarkets & supermarkets. Among these, K
Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop. Pantaloons has the largest number of departmental stores with 65 stores topping the list. Trent comes second with 59 stores. Shoppers, with 51 stores, retains its third position.

4. Supermarkets/Convenience stores: They are low cost, low margin, high volume, self service operation designed to serve all needs related to food, laundry and household products. Supermarkets in India are not so much as they are seen in western countries. This format concentrates on marketing food and household related products. They are smaller in size compared to hypermarkets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales. Grocery items, frozen foods, fresh vegetables, fruits, toiletries, cosmetics, small utensils, cutlery are the main items of supermarkets. The leading supermarkets in India are Aditya Birla retail with 640 stores, Spencer's daily with 220 stores, reliance fresh with 453 stores, REI with 350 stores.

5. Shop in Shop: They are present within large formats such as department store or supermarkets. They are efficiently managed through supply chain & fast stock replenishment with scaled down store space.

6. Specialty stores: They are single category stores that focus on individual and group clusters of the same class. The product line is narrow with deep assortment. Titan industries is the leading player in this format with 320 world of titan stores, 130 Tanishq stores and 177 Titan eye plus shops. Croma, E-zone, Vijay sales and Viveks are into consumer electronics. Odyssey, Crossword and Landmark focus on entertainment items, gifts and books. Also chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.
7. Category Killers: They focus on a particular segment and are able to provide a wide range of choice to the consumers, usually at affordable prices due to the scale they achieve (Joseph, 2008). They are of about 18000 square feet in size. Examples include Nallis (Sarees), The Loft (Footwear) and Haldiram Food City. These usually do well in busy market places and Metros.

8. Discount Stores: As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non-perishable goods. Important players in this format are Koutons, Levis and Margin Free.

9. Convenience Stores: These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium. They cater to the top- up grocery needs of residents. Examples are In and Out, Safal and Reliance fresh.

Malls are another retail format and are the largest form of organized retailing today. They are located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq.ft to 7,00,000 sq.ft and above. They lend an ideal Shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Express Avenue, Ampa Sky walk and Phoenix.

Mullick, (2013) states that malls are the most popular format which have been adopted in the Indian market. They range between 60,000 sq ft. From 2001, the small sized single category specialty store with an average size of 800 sq ft dominated the organized retail market followed by the department stores with an average 30,000 sq ft space and supermarkets or convenience stores of 1000 sq ft average space (Basu, 2013).

The modern retail in India has single brand store or exclusive stores and multibrand stores. These formats target specific segments like books, magazines, music, apparel etc. The single brand stores are sized between 1000 and 5000 sq ft in area (Basu, 2013). Some of the important single brand stores include Nike, Adidas, Zora, Levis, Gucci that compete
with the indigenous brand stores like Raymond, Gatha, Fab India & Wills lifestyle etc. Multi-brand stores in India deal in many brands and comprise all variants of departmental store, hypermarkets and supermarket sized between 1000 and 20000 sq ft in area (Singh & Bose, 2011). Pantaloons is the largest retailer of the country and it has a chain of hypermarkets, Big Bazaar, Supermarket, Food Bazaar and departmental stores. Reliance Retail, Tata Trent's, Raheja's Shoppers Stop, RPG Group's Spencer, Metro, infinity, Koutons, in and out are other key players of the modern retail in India. Many big companies are heading towards rural areas as well.

1.4.5 Drivers of Modern Retailing in India

![Figure 1.11 Drivers of Modern Retailing in India](image)

Source: Akram, Anwar & Khan, 2014

Figure 1.11 shows the drivers of Modern Retailing in India. The rising income & purchasing power of the consumer, higher brand consciousness & brand choice, easy credit facility, increase in consumer class, FDI, internet & e-commerce are some of the factors behind the phenomenal growth of modern retailing in India. The dominance of the young and working class under the age of 30 years in the population of India which is estimated to be more than 1.2 billion, is a strong driver. The robust employment generation is helping the modern and organized retailing in its prosperity. Along with a significant growth in discretionary income, the changing lifestyles are being seen as a major growth driver of Indian retailing market. The phenomenal increase in the consumer orientation, banking
facilities such as availability of credit and use of plastic money have contributed to the prosperity. The familiarity with the acceptance and usage of e-trailers by the Indian consumers are also an important growth driver as they are providing convenience and secured financial transactions. The expanding upper middle class’s influence is also leading to greater expenses on luxurious products and greater brand consciousness. Looking at the past average Indian spending, the average spending has gone very much up from INR 5745 in 1992-93 to INR 16457 in 2003-04 to INR 24360 in 2012-13. The average urban spending for the year 2012 was INR 31560 whereas the average rural spending was about INR 17160. The phenomenal increase in spending pattern of Indian consumer bring home a point that there are significant changes underway in the country. These changes would certainly help retail Industry in India.

Despite Indian modern retail industry possess huge potential, it is important to be conscious of the challenges in the evolving Indian retail market. Akhter & Equbal (2012), and Rahman (2012), in their paper laid out the problems that the organized modern retailers in India need to address. They are summarized as follows:

- The control of the changing structure of organized retail sector in India are still in the hands of a few retailers, creating the need for attracting large national and international players for substantial investments.
- Understanding consumer behavior and customer loyalty specific to the Indian Market is very difficult.
- Rising retail real estate prices along with high stamp duties on property transfers increase maintenance costs and lower profit margins.
- Technological support, supply chain, cold storage infrastructure, and skilled manpower requirements are crucial for new age retail operations.
- Problems of retail shrinkage due to administrative inefficiencies, shoplifting, employee thefts, or vendor frauds call for implementation of effective monitoring systems.
- Complex taxation systems and multi point octroi with the introduction of value added tax (VAT) in 2005 are keeping organized retailers perturbed, while policy
makers are getting concerned over massive sales tax evasion by smaller unorganized retailers.

- Competition from the unorganized retailers along with rising competition between players in the organized retail sector is intensifying the challenge.

The phenomenal growth of organized and modern retail has a favorable multiplier effect on the Indian economy. At present it is already considered to be India’s backbone in terms of employment generation after agriculture. The organized retail is attracting a huge inward investment in several support industries such as logistics, IT, which is strengthening the supply chain. The arrival of private brands are generating demand and sourcing tie-ups with manufacturers across products. The rising education mania and fast adopting online shopping behavior of the consumers, facilities provided by the bankers will play a proactive role in bringing prosperity to modern retailing in India. Organized retailing is creating a pool of qualitative work force that is gaining vocational studies in schools and colleges. Since organized retail sector is fearful about price and competitive pressure, there is a need for some mechanism so that both traditional and modern retail can continue to grow in harmony eventually closing the gap between the organized and modern retail sector. Geographically dispersed population, illiteracy, infrastructure problems, small ticket sizes, complex distribution network, little use of IT systems, limitations of mass media and existence of counterfeit goods are some of the problems affecting it. The passage of this FDI bill will facilitate many big retail chains make a foray into India. But it is to regret that this policy is facing problems in implementation. It can however be said that organized and modern retailing in India is marching towards prosperity because of conducive and congenial atmosphere in this giant country barring a few exceptions of impediments. The modern retail sector is benefiting the society in terms of better product, choices, price and employment generation. The farmers are benefiting in terms of reasonable price realizations for their produce. It is also creating an atmosphere of investment.

1.4.6 Retail Laws

Retail laws in India are mainly placed in the subsections of consumer rights and trading standards, but they can be tricky to enforce. Here are some laws that pertain to the retail industry (Goyal, 2012).
Sale of Goods

- This section of retail law is established under the Sale of Goods Act 1930—this decree covers subjects such as the sale of goods, selling at the valuation price, description of goods and the rights of a seller who hasn't received the entirety of an agreed payment.

Agreement to Sell

- This part is concerned with the concept of contracts for the sale of goods (not, in this case, physical contracts but rather verbal agreements between the buyer and the seller). With these, the seller must transfer or agree to transfer ownership of a good to a buyer for the pre-agreed price, with the agreement either being absolute or conditional, i.e., subject to conditions set by the seller.

Valuation Prices

- This goes into detail about the rules of agreeing prices, saying such valuations are set by a third-party, i.e., the government and the central bank, and the agreement between the buyer and the seller must take this into consideration. If either party prevents the agreement of a formal valuation, the affected party has the right to take legal action against the offending party.

Description of Goods

- This part is designed for any goods that are marketed via description, such as a good sold over the Internet or phone. Any good sold in this manner must meet the description originally given, and if a sample is given along with the description, both must ultimately represent the final product correctly.

Rights of Seller

- This part of retail law has its own subsections. One example is the seller's right to prevent the delivery of a good in certain cases, such as when the buyer has filed for bankruptcy. The seller is within their right to withhold the good indefinitely or until the full payment is received.
1.5 IN-STORE ADVERTISEMENTS AND PROMOTION

People are often unaware of how their purchases are influenced by the TV they watch in the store itself. Research (Dukes & Liu, 2010) indicates that about 70% of shoppers make their purchase decisions in the store itself. Walmart installed more than hundred thousand screens in 2009 in 2650 stores. This created a huge network of in-store media. This media is used by companies like Kraft, Gillette and Fritolay to market products to millions of shoppers every month. Bestbuy, Costco, CompUSA, Borders and Kroger are other retailers that have implemented similar networks in their stores (Dukes & Liu, 2010).

So in store media is a modern and interesting phenomenon in retailing. The progress in technology has made it possible for retailers to offer media platforms to marketers to advertise on them.

In-store media is compelling for marketers because 70% of purchase decisions are made inside the store (Hays, 2005). Nielsen Media Research found brand recall among Walmart TV viewers was 65%, which was significantly better than 23% recall among regular TV viewers. Retailers find in-store media to be a breakthrough in retailing because it brings together consumer awareness and purchase, which are otherwise separated, in the case of regular media (Baird, 2006). Typically, about 40,000 customers walk in on a weekend at Big Bazaar outlet, a major retail chain in India, which offers great visibility to marketers.

Retailer generated in-store media is different from regular commercial media such as radio, internet, television, newspaper or magazine in that it is operated by the retailer. The retailer, therefore, has the power to influence product sales and competition within the store through its setting of ad prices.

In-store advertisements can affect sales and competition within a category, and this in turn affects the interaction between channel members and the distribution of channel profits. Advertising through in-store media may lead to duplicate advertising to the consumers exposed to commercial media. Therefore manufacturers need to decide on a media plan which mentions whether or not the company is going to advertise in in-store media.
According to experts, consumers are more likely to buy a product whose advertisement they see in a shop because they are already in a “buying frame of mind”. “Communication by a brand, at the point of sale, makes the consumer notice it at a time when he or she is just about to make a purchase decision,” says Hemant Mallik, head of marketing, foods division, ITC Ltd, which makes Bingo chips and Sunfeast biscuits. Another crucial advantage is that consumers have a convenient touch-and-feel opportunity for the products being advertised.

It is observed that in-store media plays a crucial role in the launch of new products by consumer goods manufacturers (Petrecca 2007).


An ACNielsen ORGMARG Pvt. Ltd. survey across Indian metros showed that 55% of all shoppers surveyed were tempted to try skincare products which had advertisements or promotions running in the store. Of the shoppers who were not particular about buying a specific brand, 72% said they were more likely to buy a product that had banners in the store, or had an on-ground discount scheme running (Shah & Roy, 2007).

“Most consumers are skeptical of advertising and are more likely to place emphasis on direct experience. So in-store advertising goes a long way in establishing that connect, as you are catching the consumer in the right frame of mind and any message delivered at that point would have in impact on immediate purchase,” says Anjali Puri, director, client service , ACNielsen ORGMARG Pvt. Ltd. “So, across categories, it makes more sense to deliver the message on-ground, where the connect is stronger,” she adds(Shah & Roy, 2007).

In India, advertising in retail spaces, is in its infancy. “It is likely to double in the next three years,” says Prashant Guntey, business head, Percept Retail, a consulting company for brands and retail business (Shah & Roy, 2007). Retail advertising offers sheer visibility. What is also crucial is that marketers are able to ‘catch’ consumers at a point
when they are about to make a purchase decision in “the perfect ambience of consumption”, as Partho Dasgupta, chief executive officer, Future Media (India) Ltd. puts it (Shah & Roy, 2007). With organized retail estimated to be growing at 35% a year, the opportunity for retail marketing is huge.

1.5.1 Added Revenue to Retailers

It is not shoppers alone who make up Big Bazaar’s revenues; advertisers chip in with a fair bit.

Selling ad space accounts for 15% of a mall’s revenue (Shah & Roy, 2007). The growing tribe of retailers does not mind renting out space to run commercial messages, especially when this adds a tidy sum to revenues. Advertisers, on their part, are quite excited about the new opportunity. Big FM pays about Rs1 lakh per month for each Big Bazaar store that plays its radio station.

1.5.2 Types of in-store advertisements

Big Bazaar, one of the largest retail chains in India, has a monthly in-store magazine, My World, store window displays, ads on walls and floors ceiling high banners, kiosks to run promotions for advertisers, television screens and piped in radio stations. Big Bazaar is also planning a television channel, Future TV, similar to Wal-Mart’s TV network. Future TV will run ads, along with some programs, in malls and shops.

The supermarket chain from India’s largest listed retailer, Pantaloon Retail India Ltd, has struck a deal with the radio network owned by the Anil Dhirubhai Ambani Group to air its programs in stores across the country.

Pantaloon Retail is not alone in spotting this opportunity. Most companies are busy leveraging the advertising potential of their stores. They are just following a global trend. Wal-Mart, in fact, launched its TV network way back in 1997. Such optimism seems justified, going by the sheer visibility retail marketing affords.

Radio is just one of the many advertisers queuing up for retail marketing. “The idea is to get people to experience the content on our radio stations. Malls and upscale retail spaces with high footfalls are the perfect places for us to be heard,” says Anand
Chakravarthy, vice-president, marketing, Big 92.7FM. Through such playouts in stores in Mumbai, Delhi, Bangalore and Kolkata, Big FM reaches more than three million people each month.

1.5.3 Product Categories and in-store advertisements

“FMCG companies are the lowest hanging fruit among the top categories advertising on our network,” says P.R. Satheesh, COO, TAG Media Network Pvt. Ltd, which has partnered with retail chains such as Spencers, Trinetra, Fab Malls and Food World to set up in-store television screens.

There is a lot of interest from other categories such as insurance, banking and airlines.

1.5.4 Discounts and Deals

A retailer can offer any type of promotion mixes: Advertising, Personal Selling, Public Relations, Sales Promotion, Visual Merchandising and in store decor. They also offer consumers different types of discounts such as Price Discounts (happy hours, reward program, cents-off deal, loss leader among others), Price reduction may be a percentage marked on the package, direct % off, indirect example: 50%+20%, Quantity Discounts, Coupons (free standing insert, on-shelf couponing, on-line couponing, mobile couponing among others) Games and Events (Online interactive promotions, contests/ sweepstakes/games). Therefore the consumer in the retail outlet, today, is left with a range of promotions to choose from, in almost all the product categories. Despite the economic attractiveness, it is highly likely that the consumers will not be able to evaluate or take advantage of every offer they come across.

There are three aspects through which a deal at the retail store, can affect a consumer: economic (changing the economic utility associated with a product purchase), informative (influencing consumer's beliefs about the brand or industry) and affective (Affecting the feelings and emotions aroused in the consumer) (Priya Raghubir et al, 1996). The Economic route focuses on both monetary as well as non-monetary (time and effort) gains and losses. Non-monetary benefits can accrue as well, such as decreasing transaction time or effort required for a consumer to make a decision by simplifying the decision process (i.e., providing a good reason to buy). The information route focuses on
the information conveyed such as price expectations, quality expectations and promotional
patterns. These factors lead to crucial implications on brand equity. The affective route
focuses on the emotional aspects of consumer such as, does the consumer feels proud after
the deal, does he feel embarrassed due to the cheap price product.

A study on in-store advertisements (Mishra, 2009) indicates that both old and
young consumers value discounts and tend to increase their spending in a retail store
whenever there is a good deal offered. Consumers also spend time searching for deals and
visit multiple stores before making a purchase. Older consumers spend more time in
evaluating deals and select deals that give maximum value, as compared to younger
consumers. The study also reveals that some type of deals, that are too complex or of little
value can damage the store image by annoying consumers.

Stores offer promotions to restore normalcy in sale, clear the stocks which had long
shelf life, to match apparels with the season, for monetary profits through increased sales,
to increase brand awareness and to keep customers in rotation to restore normalcy in sale,
clear the stocks which had long shelf life, to match apparels with the season, for monetary
profits through increased sales, to increase brand awareness and to keep customers in
rotation (Mishra, 2009). Also a common pattern of bi-annual discounts was observed to be
given during September-October and during January period. The rationale behind giving
sales promotions during the specified period of August and January is as follows.
Generally the store gives percentage discount sales during August 1st - 15th. This is an
ideal timing to clear the cotton garments that were kept in stock by the company owing to
the just concluded summer season. This is because customers prefer "value-add" clothes in
the forthcoming season because of the array of festivals during that period namely Onam,
Ramzan, Dussehra, Diwali, Christmas, New Year and Pongal. The shop stocks "gorgeous,
heavy weight and valuable" dresses for the festive period due to which promotional
activities are done to clear the cotton garments and stimulate the sales of the new arrivals.
Also, the cloth manufacturer is piled up with stocks of garments which he gives at a lower
price to the retail shops for clearance. This results in more margins for the retail shop. As
January nears summer shops give a discount to clear the previous items and stock new
cotton garments (Mishra, 2009). Mishra (2009), advocates that advertisements of deals
should be such that it appeals to the customer segment to which it is being targeted. So,
profit of the store will increase due to proper direction of the offer or discount.
1.5.5 Performance Indicators

The success of a promotion is measured through various indicators. Some firms look at individual components of promotions like impact of visual merchandising, advertisements, discounts, sales personnel behavior while some others look it as on a consolidated basis. Exhibit 1 gives ways and means, through which these parameters are measured.

<table>
<thead>
<tr>
<th>Promotional Component</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement</td>
<td>Done through the sales data and footfall measurement. Also customers are directly asked through what means they came to know about a deal in the store and hence the effectiveness is measured.</td>
</tr>
</tbody>
</table>
| Discounts              | • Number of footfalls and conversion  
                          • Average bill value  
                          • Monthly sales  
                          • Average sales per sales personnel  
                          • Competitor comparison |
| Sales personnel        | Done through analysis of footfalls. They normally calculate the normal conversion that will take place for a certain number of footfalls. If the billing is more than the result it is attributed to sales personnel effectiveness. |

Figure 1.12 Measuring the Promotional Offers

Source: Mishra, 2009

While footfalls at stores such as Big Bazaar, a large retail chain, run into tens of thousands every day, advertisers say it is hard to commit ad spending without having a metric that indicates what percentage of shoppers actually see television screens hanging above their heads or radio screaming over the din of a crowded store. “More often than not, advertisers take a call based on the number of people who visit a particular store,” says an advertiser from a Mumbai based ad agency, who did not want to be named because of company policy (Shah & Roy, 2007). “This data is gathered from security guards, who use a clicker to keep tab on the number of people entering the store,” says Deepak.
Jayaram, director, Dialect, which handles media buying and planning for retail spaces. Advertisers are now looking beyond the numbers, too. Group M is creating a metric to measure how many of those who see ads in stores actually buy the advertisers products.

1.5.6 Length of In-store Advertisements

Experts says ads on mall televisions work best when they are half the usual length, 10-15 seconds rather than 20-30 second. “Nobody is going to watch a 30-second commercial on these in-store networks. You have to ensure that the content is relevant and engaging. You have three seconds to capture the shoppers’ attention,” say Maureen Johnson, chief executive, The Store, which researches trends for retail advertising for the WPP Group (Shah & Roy, 2007). For instance, an advertisement for Uniliver deodorant Axe, made for in-store televisions at Wal-Mart, was designed to look like it was from a mall’s security camera footage. Faced with a growing need to cater to this growing medium, Indian ad agencies are also setting up specialized divisions. Among them are Noshe Oceanic Advertising Pvt. Ltd., Madison Group’s MASH, Percept Out-of-Home’s Percept Retail and Group M’s Dialect. “Many clients are beginning to divert a lot of money to communication, in what we call the ‘last mile’. So, advertising agencies will have no choice but to offer services in this area,” says Anurag Gupta, Country head, Ogilvy Action(Shah & Roy, 2007). “We are in the process of launching a retail division under Ogilvy Action very soon,” he adds.

1.5.7 New In-store Media

As new malls and stores open every day, advertisers are also finding new mediums to reach consumers. Rajesh Jog, chief executive of Vjive Networks, is running a pilot on talking store shelves that will recommend products (Shah & Roy, 2007). “It is a relatively new medium, where the effectiveness of communication is measured in terms of sales. It requires new thinking and international learning from mature markets,” says Gupta.

1.5.8 Benefits of In store Advertising

Retail marketing and in-store Advertising can dramatically increase your sales revenue. There are different approaches to this type of marketing. Clearance signs and sale signs catch the attention of most shoppers. Even people that may have a list in their hands will still migrate towards these signs just to see what is on sale or clearance. Using brightly
colored large signs that hang from the ceiling is a great way of achieving this. Item sampling invites a customer to experience the product first hand. Questions can be immediately answered and information shared on a personal level, greatly increasing the chances of more sales.

Almost every customer uses shopping carts. Shopping cart advertising is a valuable marketing area, and has been proven to directly influence a shopper’s decision. Regular customers will see the advertisement repeatedly which can be a great way to build a brand name. An extremely strong Advertising option is digital video and audio advertising. This can be accomplished by a network of monitors positioned all over your store. When Advertising is combined with video and audio together it attracts more attention from the consumers. The monitors can also give valuable information to the customers and retain their attention longer. Another strategy of retail marketing is to change the positioning of items in the store. Regular customers get in a routine of running in and grabbing the items they intend to purchase and heading to the register. By changing the items location on a regular basis, it forces the regular customers to look around a bit longer, and perhaps find other item to purchase as well. Displaying products in an inviting way has a dramatic effect on sales. Using smaller racks of products that are not overwhelming to the customer has been shown to have larger success rate than large over stocked shelves. Put items on the proper level to greet the customer. Product information is important to consumers. Use signs beside products that clearly show the product specifications and advantages. Strategically placing products on the aisle caps has shown to be a very effective retail marketing and in-store advertising move. All customers see the ends of the aisles, and these are a great place to market new products or place impulsive products. Using a variety of retail marketing and in-store advertising will ensure more sales. Half of customers purchase items because of in-store advertising. Most customers will stay longer in the store and purchase more items if they are displayed in an inviting way.

Despite these opportunities, retail marketing in India still has a long way to go. “As of now, in-store advertising is only attracting below-the-line spends. In the future, however, it could become the fifth most important mass medium, after television, print, radio and outdoor, “says Dasgupta of Future Media. And the growth of organized retail will only help the cause (Shah & Roy, 2007).
1.6 NEED FOR THE STUDY

Consumers find it difficult to know prices confronted with thousands of items and have even less knowledge of the variety of products. They are often enticed by window displays to make a purchase and have no time to watch T.V advertisement and other means. Hence the consumers of today rely more on in-store advertisement as this facilitates them in making buying decisions. The outside store appearance affects consumers’ choice of a store. Therefore store should pay attention to external appearance as well as in-store appearance in creating positioning strategies and enabled them to differentiate their stores in terms of the products and prices or services on offer. Notwithstanding the commercial and academic research that has taken place, there are still many uncertainties about the behaviors and rituals of customers pertaining to In-Store advertisements and store layout. A front that does not have a positive store image loses potential customers who shy away from it and go to stores they understand. Such a negative front also brings in a certain number of people who think it might be their kind of store and are disappointed and angry when they discover that they misjudged it. A non-descript front only loses sales, but it also increases expenses. Attractive and friendly in-store Advertising and store layout will attract potential customers to the store and, at the same time, discourage those who are not interested in the merchandise from entering the store. It is the need of the hour for the retailers to understand the interests of the customers at different times in order to influence their purchase decision. The main advantage of in-store advertisement is costs less, but it still can improve the sales. In-store promotions can prompt consumers to recall a product and thus instigate a purchase. In-store design and consumer relationship marketing (CRM) directly affected the way customers purchase and retain goods. In-store traffic a steady stream of existing and new customers visit a retail stores influence customer purchasing decisions. In-store displays and marketing are also helpful to customers as reminders of things that they need but forgot to put on their list. In-store Advertising helps the customers to try new products or services in the store. In-store Advertising helps to change the customers’” buying habits from their typical routine or to introduce new goods and services in the store. In-store advertising costs less, but it still can improve the sales. In-store Advertising is helpful to put out information for customers to use, but it is also good marketing to have someone available to help customers find what they need. In-store Advertising is focused on the idea that once the customer is in the store
he/she is going to buy more than they might’ve first wanted to. Once the customers visit the store, it should be in an even better position to take advantage of the fact that they are in the store by having a strong marketing push. This has proposed to investigate the relationship between promotion of in-store advertisement and the purchasing decision of the consumers. Hence, the present study has been taken up.

1.7 OBJECTIVES OF THE STUDY

- To study the impact of consumer profile on in-store Advertising.
- To understand perceptions and consumer’s purchase behaviour in relation to in-store advertisements.
- To understand what in-store factors motivates people to buy the product.
- To understand the important components relating to in-store advertisement.
- To understand the impact of in-store advertisements and media on the type of product Purchased

CHAPTER I - This chapter includes introduction of consumerism, growth of retail outlets, consumer perception on retail purchase, and advertisement effectiveness for FMCG product, impact of in store advertisement and layout finally the study insist about problems and objectives.

CHAPTER II - The second chapter consists in the present study is review of literature, the reviews are more relevant in store advertisement, layout retail outlet, consumer behavior, consumerism, FMCG, CRM and retail management. The previous research works were published in the form of research articles, papers, thesis, books and newspaper referred for the present study review of literature and indicates the research gap for study.

CHAPTER III - The third chapter deals with the research methodology that describes and the research propositions relating to the objectives of the study are stated. Methods available for collecting data and the characteristics of the sample group are set out in this chapter. The main theme of the study is described In-Store Advertising, Promotions and its impact on consumers purchase decisions in Chennai. In addition to
that the relevant variables for the presence study, the structured questionnaire design and techniques used to analyse the data are stated.

**CHAPTER IV** - The fourth chapter commences with a detailed analysis of data that provides an insight into the findings of the study, accompanied by numerical and graphical representations of the data and interpretation of the results. The presentation of the detailed analysis and the findings that were taken from questionnaires administered to customer of convenience stores in Chennai will be discussed in this chapter. The analysis of data entails the use of descriptive analysis in the form of frequencies and bi-variate analysis in the form of Chi-square tests. The descriptive statistics, that is frequencies and percentages, provide an initial general overview of the result and are illustrated by bar charts and pie charts. Chi-square tests were used to provide a more precise analysis of each objective as a researcher wishes to see if the frequency of cases possessing some quality varies among levels of a given factor or among combinations of levels of two or more factors.

**CHAPTER V** - The chapter consists of findings and suggestion and conclusion.

**CHAPTER VI** - The chapter consists of conclusion.