CHAPTER - III
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PROFILE OF THE STUDY AREA

3.1 INTRODUCTION

The soft drinks market till early 1990s was in the hands of domestic players like campacola, thums-up, Limca etc, but with opening up of MNC players, Pepsi which scores over coke. Pepsi entered Indian market in 1991 and coke re-entered in 1993. Pepsi has been targeting its products towards youth and the sales have reached Rs. 332.31 crores. Coke on the other hand struggled initially in establishing itself in the market and sales could reach Rs. 499 crores.

3.2 EVOLUTION OF PEPSI CO

In 1965, Pepsi Co. Inc., was founded by Donald M. Kendall, President and Chief Executive Officer of Pepsi-cola and Herman W. Lay, Chairman and Chief Executive officer of Fritto-Lay, through the merger of the two companies. In 1968, North American Van Lines (NAVL), a premier transportation company, joined with Pepsi Co. NAVL remained a strong contributor in Pepsi Co. until it was diverted in 1984.
3.2.1 PEPSI CO, DURING 1990S

In 1991 Pepsi Co profits exceeded $1 billion for the first time. Pepsi Co, named one of Fortune Magazine top was "Most Admired Corporations" for the third year was a row. Pepsi-cola introduced a new logo, its eighth in 93 years. Advertising featured rap singer Mc Hammer. In 1993 Pepsi introduced new slogan "Be young have Fun – Drink Pepsi”. In 1994 Pepsi-colas introduced Aquafina bottled water into test market. Pepsi-cola International acquired Indian company, its first big bottling plant in Bombay. In 1995 Pepsi Co, sales reached $30.4 billion. There were 4,70,000 employees worldwide, making Pepsi co. the third largest employer, Pepsi Co. would introduce Lays brand potato chips in 20 markets throughout the world. Pepsi-cola introduced new advertising campaign with the theme “Generation Next”. In 1999 Pepsi launched "The Joy of Cola” advertising campaign. Steve Reinemund was named as President of Pepsi Co.

3.2.2 PEPSI AT PRESENT

In 2004, Pepsi-cola-launched “Sierra Mist” Caffeine-free, lemon-lime soda Pepsi Co. announced $4 billion share repurchase program. Pepsi Co. Inc. and The Quaker Oats company reached an agreement to merge. In 2004, the board of Directors of Pepsi Co. Inc. elected Roger Enrico, Chairman of the board and Chief Executive Officer, succeeding Karl Vonder Hayden who would become Vice-Chairman. The Board also elected Indra K. Nooyi as a
director and gave her the additional title of president of Pepsi Co. in addition to CFO; Pepsi kicked off online marketing with yahoo Pepsi-cola introduced credit card vending. The southern unit of India comprising Chennai, Bangalore and Madurai were originally undertakings as a Franchise business. But after the singing of GATT agreement in 1995 Pepsi Co. India holdings took over production operations and Pepsi Cola Indian Marketing Company devoted itself exclusively for marketing and sales. At present Pepsi Co. has 35 branches, some of them are company owned Bottle operation (COBO), and a few are Franchise owned Bottle operation (FOBO)

3.2.3 PEPSI CO BEVERAGES INTERNATIONAL (PBI) (IN MILLIONS)

<table>
<thead>
<tr>
<th>TABLE NO : 3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TWELVE WEEKS</strong></td>
</tr>
<tr>
<td>2004</td>
</tr>
<tr>
<td>Net Revenues</td>
</tr>
<tr>
<td>Operating Profit</td>
</tr>
</tbody>
</table>

Source: www.pepsi.com

PBI bottler case sales were up over 5% in the second quarter, led by double digit growth in India, the UK, Russia, China and Turkey and high single-digit growth in Mexico. The introduction of new products, such as Mountain Dew, and line extensions of Pepsi and Mirinda contributed to the
overall volume growth. In addition, PBI’s portfolio of non-carbonated beverages grew at a double-digit rate.

The volume growth would have been higher but for a boycott of American products in the Middle East and weak local macro-economic conditions, especially in Argentina.

The net revenues reflect the fact that volume gains were offset by unfavorable foreign exchange rate, which reduced net revenue growth by 3 percentage point for both the quarter and year to date, as well as the impact of the middle East boycott and country mix.

PBI’s operating profits grew 8% for both the quarter and year to date, primarily due to volume gains, offset by adverse foreign exchange rates. On a currency neutral basis, PBI’s operating profit growth was 13% for the quarter and 16% year to date.¹

3.3 EVOLUTION OF COKE CO

²In May, 1886, Coca Cola was invented by Doctor John Pemberton a pharmacist from Atlanta, Georgia. John Pemberton concocted the Coca cola formula in a three legged brass kettle in his backyard. The name was a suggestion given by John Pemberton’s book keeper Frank Robinson. Being a book keeper Frank Robinson also had an excellent penmanship. It was he who first scripted “Coco-cola” into the flowing letters Which has become the famous logo of today.
The soft drink was first sold to the public at the soda fountain in Jacob’s pharmacy in Atlanta on May 8, 1886. About nine servings of the soft drink were sold each day. Sales for that first added up to a total about $50. The funny things was that it cost John Pemberton over $70 in expenses, so the first year of sales were a loss.

3.3.1 COKE CO DURING 1990’S

In 1905 the soft drink, marketed as a tonic, contained extracts of cocaine as well as the caffeine-rich kola nut. By the late 1890’s Coca-Cola was one of America’s most popular fountain drinks. With another Atlanta Pharmacist, Asa Griggs Candler, at the helm the Coca-Cola company increased syrup sales by over 4000% between 1890 and 1900. Advertising was an important factor in Pemberton and Candler’s success and by the turn of the century, the drink was sold across the United States and Canada. Around the same time, the company began selling syrup to independent bottling companies licensed to sell the drink. Even today, the US soft drink industry is organised on this principle.

Until the 1960’s both small town and big city dwellers enjoyed carbonated beverages at the local soda fountain or ice cream, saloon. Often housed in the drug store the soda fountain counter served as a meeting place for people of all ages. Often combined with lunch counters, the soda fountain declined in popularity as commercial ice cream, bottled soft drinks, and fast food restaurants came to the fore.
On April 23, 1985, the trade secret "new coke" formula was released. Today, products of the Coca-Cola company are consumed at the rate of more than one billion drinks per day.

### 3.3.2 FINANCIAL HIGHLIGHTS IN 2004

i) Reported first quarter earnings per share were $0.46, a 35% increase from the prior year.

ii) Net operating revenues increased 13% during the quarter to $5.1 billion.

iii) Operating income for the quarter increased 35% to 1.5 billion led by strong results in key.

iv) Cash from operations for the quarter was $1.2 billion, as compared to approximately $600 million.

v) The company repurchased approximately $486 million of its common stock during the first quarter.

vi) In February the company approved its 42nd consecutive annual dividend increase, a 14%.²
3.4 PROFILE OF THE STUDY AREA

*Kanyakumari* District is named after the goddess ‘KANYAKUMARI’. The district lies at the southern most tip of the Indian peninsula, where Indian ocean, Arabian sea and Bay of Bengal confluence. It is the smallest District in the state of Tamil Nadu. The District lies between 8 degree and 8 degree 29’ of Northern latitude and between 76 degree 9 to 77 degree 41’ of Eastern longitude. The district has a total area of 1672 sq. kms. The district is bounded by Tirunelveli District in the North East, by Kerala state in the North West and the confluence of Arabian and Indian Ocean in the west and south.

Kanyakumari District is divided into two Revenue Division, viz Padmannabhapuram at Thuckalay and Nagercoil as District Headquarters. The Four taluks are 1. Agasteesawaram 2. Thovalai 3. Kalkulam 4. Vilavancode. The District has nine blocks, 4 municipalities, 7 Assembly constituencies and one parliamentary constituency.

As per 2004 census, the District has a population of 55 millions. The rural population consists of 35% of the total population. The density of population is 999 per sq.km, as against the state average of 372 per sq.km.

The people are the human resource of the District. Their culture, religion, aptitude habits, beliefs, talents etc have a bearing on how the district presents itself to others. Tamil and Malayalam are the main languages of this district. Hindus and Christians form a sizeable percentage of the population of the district and there are a number of Muslims dominated belts in the district.
The caste system in the society has weakened to a great extent especially after independence because of growth of education and improvements in transport and communication. Some of the communities in the district are Nadars, Nanjil Nadu Vellalars, Paravas, Mukkuvars, Vilakki Thalanayar Kammalar or Asari, Chackarevars, Keral mudalis etc. Rice is the stable food of the rich and poor alike in the district. Some among the poorer section also use tapioca. Beverages like tea and coffee are widely spread even into the rural area of the district.

Unlike other Districts in the state of Tamilnadu, the District has a unique advantage of the rainfall during the South West and North East monsoon. The period of South West monsoon is from June to September while that of North East monsoon is from October to December. The temperature ranges between 22.6 degree and 32.1 degree C. The District has a favourable Agro-climatic condition to grow crops such as Paddy, Banana, Tapioca, Coconut Rubber etc. Because of its being nearness to equator, its geography and other climatic factor, favour growth of various food and non food crops. The rainfall is generally high in the northern part of the District. The average rainfall of the District is 1400 mm per year.
3.5 PROFILE OF THE SOFT DRINKS CONSUMERS IN THE STUDY AREA.

The survey conducted among the soft drink consumers has revealed the following initial findings.

i) About 80% of the respondents are under the age groups of below 30, remaining 20% of the respondents are under the age group of 31 to 40 surprisingly there is none above the age of 50

ii) Majority of the consumers are male (70%)

iii) About 50% of the consumers are students, 30% are business and self employed professionals and the remaining 20% of the consumers are professionals.

iv) Most of the respondents are highly educated, at least, possess a graduation. There is none belonging to uneducated category.

v) The soft drink consumers family income ranges from Rs.10000 to Rs. 15000 for 40% and the remaining above Rs. 15000 per month.

vi) Some of the personality traits of the consumers that are identified through the study are, they are more of extroverts and they travel frequently. Regarding their social characteristics, they are more of inner directly rather than other directed. Their need for seeking
information before taking any decision is less, i.e. their need for cognition is less.

vii) The study has also revealed that the consumers give less importance to social values and they like to have the life with full of excitement and fantasies.

3.6 SOFT DRINK AT DISTRICT LEVEL

"The Kanyakumari District soft drink market is very wide and big to control as India has all types of natural seasons and different locations have different culture. The Northern parts is cold, where as in south the heat is out of control and people are in more need of soft drinks like Pepsi and Coca-Cola. The market share of any soft drink varies from location to location and season to season. It is necessary to have a look on the share of different brands in the market in India from 2000-2005 in the means of production of bottles in millions.

3.6.1 FLAVOUR SHARE IN KANYAKUMARI DISTRICT

Data collected for Brand -wise flavour share in Kanyakumari indicates that in the year 2000-01, Coke company played a big role in the market by occupying 69.19% defeating Pepsi cola which has covered only 28.4% and others 2.4% Coca-cola attained 1st position by the sale of 41.73%
kept a comfortable lead over the others ranking for the year 2000-01 is as followed.

i) Coco-Cola ii) Pepsi iii) Fanta iv) Thumps up v) Mirinda vi) All other Brands

vii) 7 up

In the year 2004-2005 Pepsi Cola again geared its share and made a growth of 2.06% over the last years share. In this year Mirinda has gone ahead of Fanta. Fanta made a growth of 0.97% where as Coco-Cola saw a decrease of 1.32%. ranking for the year 2004-2005 is as follows

I) Coco-cola ii) Pepsi iii) Thumps up iv) Mirinda v) Fanta vi) All other Brand vii) 7 up

**TABLE NO : 3.2**

**FLAVOUR SHARE IN KANYAKUMARI DISTRICT**

<table>
<thead>
<tr>
<th>Brand</th>
<th>2000-01</th>
<th>Total</th>
<th>Rank</th>
<th>2001-02</th>
<th>Total</th>
<th>Rank</th>
<th>2002-03</th>
<th>Total</th>
<th>Rank</th>
<th>2003-04</th>
<th>Total</th>
<th>Rank</th>
<th>2004-05</th>
<th>Total</th>
<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>Coke</td>
<td>41.75</td>
<td>69.19</td>
<td>1</td>
<td>34.00</td>
<td>71.79</td>
<td>1</td>
<td>38.15</td>
<td>67.85</td>
<td>1</td>
<td>36.37</td>
<td>61.22</td>
<td>1</td>
<td>35.05</td>
<td>62.28</td>
<td>1</td>
</tr>
<tr>
<td>Thumps up</td>
<td>12.61</td>
<td>14.85</td>
<td>4</td>
<td>17.30</td>
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<td>17.80</td>
<td>3</td>
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<td>17.13</td>
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<td>4</td>
<td>6.59</td>
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<td>6.59</td>
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</tr>
</tbody>
</table>

**Source**: Internet Reports
3.6.2 RETAILERS PERCEPTION FORM THE BRAND

To sell or promote any brand in front of customer the retailers need lots of support from the companies of that brand. According to the study we come to know the perceptions of retails regarding the support they need from the companies to support the brand promotion. The details of figures are given as under the following table.

TABLE NO : 3.3

Retailers Perception for the Brand

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Perception/Key component for the sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>Advertisement</td>
</tr>
<tr>
<td>33%</td>
<td>Promotional Schemes</td>
</tr>
<tr>
<td>20%</td>
<td>Brand Loyalty</td>
</tr>
</tbody>
</table>

Source : Primary data
3.7 SEGMENTATION OF SOFT DRINK MARKET

Cola:

The Cola drinks segment stood for a total of Rs. 1100 crore by value in the year 2005 which is 61%-62% of the total carbonated soft drinks market by volume.

Non-Cola

The non-cola segment of carbonated drinks sector stood for the total of Rs.900 crore by value in the year of 2005, which is 38% of the total carbonated soft drinks market. Non-Cola segment comprises different flavours and drinks of different brands available in the soft drink market, these drinks are available as orange, lime mango and ginger etc.

Another factor for the study of soft drink market is the study of cola and non-cola segments of soft drink industry is to carefully watch the different segments of soft drink industry. Initially we are going to study the two segments of soft drink market and that are Cola market and non-Cola drink segment of soft drink market.
3.7.1 The Pictorial representation of segmentation of soft drink industry

Diagram: 3.1

- **Soft Drinks**
  - Carbonated
    - Cola flavoured
      - Pepsi Co
        - Pepsi
        - Diet Pepsi
        - Pepsi blue
    - Non-cola flavoured
      - Coca-cola Co
      - Other Co's
        - Coke
        - Diet Coke
        - Thums-up
        - Vanilla coke
        - 7-up
  - Non-carbonated
    - Mineral Water
      - Pepsi Co
      - Coca-cola Co
      - Other
        - Acquafina
        - Kinley
        - Bisleri
  - Mango flavoured Segment
    - Pepsi Co
    - Coca-cola Co
    - Others
    - Slice
    - Maaza
    - Rasna Fruity
    - Mirinda
    - Fanta crush
    - Rasna
    - Mirinda Lemon
    - Limca
    - Rasna
    - Mirinda Dew
    - Sprite
    - Canada Dry and Local made
  - Orange Flavoured Segment
    - Pepsi Co
    - Coca-cola Co
    - Others
    - Pepsi
    - Mirror
    - Rasna
    - Mirinda Lemon
    - Limca
    - Rasna
    - Mirinda Dew
    - Sprite
    - Canada Dry and Local made
  - Lime Flavour Segment
    - Pepsi Co
    - Coca-cola Co
    - Others
    - Pepsi
    - Mirror
    - Rasna
    - Mirinda Lemon
    - Limca
    - Rasna
    - Mirinda Dew
    - Sprite
    - Canada Dry and Local made
  - Clear Lime Segment
    - Pepsi Co
    - Coca-cola Co
    - Others
    - Pepsi
    - Mirror
    - Rasna
    - Mirinda Lemon
    - Limca
    - Rasna
    - Mirinda Dew
    - Sprite
    - Canada Dry and Local made
3.8 MARKET

"Market is the set of actual and potential buyers of a product".

"Market includes both place and region in which buyers and sellers are in free competition with one another – Pyle.

Chapman defines, "the term market refers not to a place, but to a commodity or commodities and buyers and sellers who are in direct competition with one another".5

Clark and Clark defines, "A market is a centre about which or an area in which the forces leading to exchange of title to a particular product operate and towards which the actual goods tend to travel."6

Berkman observes, "Market is a sphere within price making force operate and in which exchanges of title tend to be accompanied by actual movement of goods effected."7

3.8.1 MARKETING

The term marketing has been defined by a number of scholars in various of ways. Each author tries to formulate a suitable definition for the term from his point of view. The reason is obvious. The subject is ever changing and at every stage of evolution, new definitions are introduced.

American Marketing Association defines, "Marketing is the performance of business activities that direct the flow of goods and services from producer or supplier to the consumer or end users".8
E.F.I Brech who says, "Marketing is the process of determining consumer demand for a product or service, Motivating its sales and distributing it into ultimate consumption at a profit". ⁹

In the view of Leslie Rodger "marketing is a system of business activities designed to plan, price, promote and distribute goods and services to the beneficiaries who are the present and potential house hold consumers or industrial Users". Thus marketing is not only one activity but it is an interaction of many activities. It will be incomplete without satisfying the consumers wants.

William J. Stanton says comprehensively "marketing is a total system of interacting business activities designed to plan, price promote and distribute want-satisfying products and services to present and potential customers". ¹⁰

3.8.2 MARKETING MIX

Marketing mix is the policy adopted by the manufacturers to get success in the field of marketing.

According to Borden, "The marketing mix refers to the appointment of efforts, the combination, the designing and the integration of the elements of marketing into a programme or mix which on the basis of an appraisal of the market forces will best achieve an enterprise at a given time".

According to Stanton, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a
company’s marketing system the product, the price structure, the promotional activities and the distribution system.

The term marketing mix is used to describe a combination of four elements product, price, promotion & physical distribution.

Diagram : 3.2

![Marketing Mix Diagram](image)

### a. PRODUCT

The product itself is the first element. Products must satisfy customer needs. The management must, first decided the products to be produced, by knowing the needs of the consumers. The product mix combines the physical product, product services, brand and packages. The marketing authority has to decide the quality, type of goods or services which are offered for sale. A firm may offer a single product (manufacturer) or served products (seller). Not only the production of right goods but also their shape, design style, brand, package etc., are of importance. The marketing authority has to take a number of decisions as to product additions, product deletions, product modifications, on the basis of marketing information.
b. PRICE

The second element to effect the volume of sales is the price. The marked or announced amount of money asked from a buyer is known as basic price-value placed on a product. Basic price alterations may be made by the manufacturer in order to attract the buyers. This may be in the form of discount, allowances etc. Apart from this the terms of credit, liberal dealings will also boost sales.

c. PROMOTION

The product may be made known to the consumers. Firms must undertake promotion work -advertising, publicity, personal selling etc, which are the major activities. And thus the public may be informed of the products and be persuaded by the customers. Promotion is the persuasive communication about the products, but the manufacturer to the public.

d. DISTRIBUTION

Physical distribution is the delivery of products at the right time and at the right place. The distribution mix is the combination of decisions relating to marketing channels, storage facility, inventory control location, transportation, warehousing etc.
3.9 BRAND, BRAND NAME, BRAND MARK & BRAND LOYALTY

BRAND

A brand is a 'name, term, symbol or design to identify the goods or services and to differentiate them from those of the competitors.

American marketing Association defines a brand as, 'the use of a name, term, symbol or design, or some combination of these to identify the product of a certain seller from those of competitors.'

BRANDING

Branding is the practice of giving a specified name to a product or group of products of one seller. Branding is the process of finding and fixing the means of identification.

BRAND NAME

"Brand Name is a part of a brand consisting of a word, letter, group of words or letters comprising a name which is intended to identify the goods of services of a seller or a group of sellers is to differentiate them from those of competitors."
BRAND MARK

William J. Stanton says, "A mark is the part of the brand which appears in the form of a symbol, design or distinctive colouring or lettering".

Thus a term 'brand' signifies a comprehensive meaning. It is a name or mark as proof of ownership, sign or symbol of quality, best means of advertising and positioning in the market. Branding is the best means to capture and retain a consumer demand in a competitive market. The manufacturer / marketer can create brand loyalty and brand image for his products through branding. A brand creates an expectation hope and trust worthiness in the minds of the buyer.

BRAND LOYALTY

Brand loyalty is an important and interesting area of consumer behaviour. A larger majority of consumers exhibit brand bias and loyalty in respect of certain brands to which they are continuously accustomed to. It is general that the name has been given to the habit of consumer's deliberate preference and consistent use of the one brand over others due to real or imagine superiority of that brand in relation to others.¹¹

PACKAGING

¹²Packaging has been defined as, "activity, which is concerned with protection, economy, convenience and promotional considerations".
ADVERTISING

Little Field defines it as “Advertising is mass communication of information intended to persuade buyers as to maximize profits”.

William J. Stanton says, “Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly sponsored message regarding a product services or idea”.

American Marketing Association defines, “Advertising as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor”.

QUALITY

Quality means, “Delivering the right product of service, which is fit for the purposes required by the customer, at the right price, and at the right time and place”.

3.10 RETAILERS SATISFACTION

DEFINITIONS

According to American Marketing Association “retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. If embraces the direct-to-consumer sales activities of the producer, whether through his own stores or by door-to-door canvassing or by mail order business”.

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According to W. Cundiff and R. Still, “A retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumers”.

Kotler has rightly defined Marketing as an economic process of “Customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals”.

Retailing, as a function consists of the activities involved in selling directly to the ultimate consumers.

Wholeselling involves selling to buyers other than ultimate consumers, which means they have no contacts directly with the consumers.

In spite of many services rendered by the retail institutions to the producers, “a bad feeling, complete mis-understanding and even distrust exist between the manufacturer and retailer”.

3.10.1 IMPORTANCE OF RETAILING

The object or distribution is to place the foods in the hands of the final users. “Retailing occurs in all the marketing channels for consumer good, as it consist of the activities involved in selling directly to the ultimate consumers”. Thus, retailing is the link in the chain of distribution.

Cundiff and Still are of the opinion that, “if the buyer in a transaction is the ultimate consumer, the seller in the same transaction is engaged in retailing”. Retailer are subjected to “selling in” and “selling out”.
‘Selling in” is concerned with the buying and stocking of the products. “Selling out” refers to the activities like consumer advertising, point of sale, display that are important to move the product from the retailers to the ultimate consumers.

3.10.2 BASIC CHARACTERISTICS OF THE RETAILERS

1. The retailers generally sell in small quantities. However, he is not prohibited in selling large quantities.

2. He may buy the goods from the wholesalers (or) manufacturers either on his own account (or) as an agent for them.

3. Since, he deals in smaller quantities, his sales volume is less, when compared to the wholesaler where as, his profit margin is high.

3.10.3 FUNCTION OF RETAILERS

1. Buying and Assembling of goods from various producers (or) wholesalers.

2. Storing of the goods so assembled.


4. Transportation of goods from the go down of wholesaler.

5. He estimates the consumer’s demand for the different varieties of products.
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   products.
6. On the basis of this estimation, he assembles goods from numerous sources.

7. He also arranges for transporting the goods from the place of wholesalers.

8. The provision of ready availability.

9. The standardization, grading and final processing of goods.

10. The financing of inventory and the extension of credit to consumers.

3.10.4 SERVICES OF THE RETAILERS

I. SERVICES TO THE PRODUCERS AND WHOLESALERS

1. Aid in Demand creation

2. Information service

3. Access to market

4. Minimisation of work

5. By advertising and displaying the goods the retailer creates demand for the products and thus helps the manufacturer to find out an outlet for his goods.

6. As the retailer is in direct touch with the consumer. He collects and interprets the market information and transmits the same to the manufacturer through the wholesaler. The information which are supplied by the retailer is very useful to the manufacturer for deciding production planning.
ii. SERVICES TO CONSUMERS

1. Variety of goods

2. Creation of utilities

3. Credit facilities

4. Personal services.

5. As the retailer stocks a variety of products manufactured by different firms, the consumers are provided with a variety of choice.

6. As the retailer keep a ready stock of different varieties of products, the consumers need not purchase them in advance and store them in their house. Thus the consumers are relieved of the inconvenience of storing the goods.

In general,

1. The retailer often extends credit facilities to the consumers. This alone account for larger sales volume.

2. The retailer provides many personal services to the consumer, such as home delivery, after sales services etc.

3. For the manufacturers, a retailer collects information about trends in marketing, changes in fashion, etc. Further, it is through the retailer that a customer meets the manufacturer.
ESSENTIAL REQUISITES FOR SUCCESS IN RETAILING

1. Selection of adequate stock of saleable goods
2. Proper Location
3. Effective Buying
4. Knowledge of merchandise
5. Provide Services
6. Display of goods
7. Employment of Trained salesman
8. Advertisements

3.10.5 KINDS OF RETAILERS

There are wide varieties of retail trading houses. Judged from the point of view of size of these retail business houses. We can broadly classify them as

(1) small Scale retaining houses
(2) Large Scale retailing houses.
I. ITINERANT RETAILERS

a. HAWKERS AND PEDLARS

Hawkers carry their good from place to place in hand and sell them to consumers the doors. Pedlars carry the goods on their heads. The goods may be pens, towels, toys, vessels etc., Its price is lower than the market price but the quality is poor. They have no fixed place of business.
b. MARKET TRADERS

Market traders open their shops on market days. (i.e.) at different places on fixed days. Market days are fixed on weekly or monthly basis.

c. STREET TRADERS

These traders carry on their business in busy streets or on the footpath of busy cities and towns. They handle only highly demanded light goods.

II. FIXED SHOP RETAILERS

a. STREET STALL HOLDERS

In a street where there is a heavy traffic, the street stall holders have their stalls. They are very careful in selecting the location for the stall. Wholesalers and local suppliers supply things to these retailers. They have the articles like pens baniyan, socks, handkerchiefs, cosmetics etc. The stalls are decorated inside.

b. SECOND-HAND GOODS DEALERS

These dealers sell and buy second hand goods or articles like books, furniture, radio, cloth etc. Customers who cannot buy new goods at higher prices purchase them from these retailers. The price will be fixed at a
low rate about 50% less than the usual price. Responsibility for the durability or the quality of goods is not guaranteed by the dealers.

c. SPECIALITY SHOPS

A particular variety of goods is sold in these shops. The dealers specialize in only one line of goods. eg: shops exclusively meant for toys, sports goods, readymade dresses, radios, etc.

d. GENERAL SHOPS

These shops supply goods which are required for day to day use. From these general shops consumers can get all their requirements such as, presentation articles, coffee, biscuits, foot wears, soap, oil etc.

III-INDEPENDENT STORES

These are small and independently owned shops. The Independent stores are relatively easy to set up. It has greater flexibility of operation and freedom of action. The owner can take decision with regard to buying, selling, pricing, working hours, sales promotions etc.
IV-AUTOMATIC VENDING

Automatic vending is a form of retailing without the aid of a salesman. A variety of products mostly convenient goods, are disposed of by means of machine, when the buyer insert coins. These are coins operated machines. Items like cigarettes, milk, eggs, bread, ice cream, postage stamps, coffee etc., can be sold by automatic vending system. This is also known as robot retailing.

A vending machine is a machine that dispenses Merchandise when a customer deposits money, validated by a currency detector, sufficient to purchase the desired item.

LARGE SCALE RETAILERS

a. DEPARTMENTAL STORES

It is located in central places and busy locality. It handles a wide variety of goods. The price in stores is high. Customers can buy a variety of goods under one roof. It requires more capital to maintain different departments. It gives credit facilities to regular customers. It is a combination of decentralized buying and centralized selling. Profit (or) loss is calculated on the entire stock. Overhead charges are more.
b. CHAIN STORES (OR) MULTIPLE STORES

It is located in different places. It handles only a limited variety of goods. The price is lower than that in the departmental store. Consumer can purchase only special (or) limited goods. It requires less capital. It is a combination of centralized buying and decentralized selling. Overhead charges are low.

c. CO-OPERATIVE STORES

It is an enterprise, owned and controlled by retailers, who are associated for joint purchasing and warehousing of merchandise. The finance is obtained by issuing shares to members. Certain such co-operatives assist in advertising store location and operation policy making etc.,

d. SUPER MARKET

It is defined as, "A large retailing business unit, selling mainly food and grocery items on the basis of the low marginal gain. It has a wide variety and varied assortments of goods. it lays emphasis on self services."

It offers goods at low price and has a high turnover. It offers minimum services. It operates on cash and basis. It is a self-services store.\(^{17}\)
RETAILING TRENDS IN ABROAD

"Business Abroad", a well known international business monthly from Newyork conducted a survey and expressed the opinion that he revolution in European retailing an in other world marketers was developing fast in view of competition. In Britain, 33 percent of the retail fund market was now being sowed by multiple shop organization. Type supermarkets, of which there were 2,400 made 11-12 percent of the total nation food sales and out of the 25,000 retail fund establishment 21,000 were self service options. In Germany within the past 3 years, the number of consumer department stores (or) verbraucher market (VM) had increased from less than dozen to more than 100 and more of these stores were coming up in this year. There was keen department stores, which were infact, adopting discount operation techniques. The self service food stores and VM's were now tacking over whereas the traditional "Mom - and Pop" stores were on their way.

3.11 CUSTOMER SATISFACTION

18"Customer Satisfaction depends on a product's perceived performance in delivering value relative to a buyer's expectations. If the product's performance falls short of the customer's expectations, the buyer is dissatisfied". If performance matches expectations, the buyer is satisfied. If performance exceeds expectation, the buyer is delighted. Outstanding marketing companies go out of their way to keep their customers satisfied. Satisfied customers make repeat purchases, and they tell others about their
good experiences with the product. The key is to match customer expectations with company performance. Smart companies aim to delight customers by promising only what they can deliver, then delivering more than they promise.

Customer satisfaction is closely linked to quality. In recent years, many companies have adopted Total Quality management (TQM) programs designed to constantly improve the quality of other products, services and marketing process. Quality has a direct impact on product performance and hence on customer satisfaction.

3.12 IMPORTANCE OF CONSUMER BEHAVIOUR

Marketers believe that any business exists because of the existence of customers and their needs. Hence the customer is central to them and it is the very focus of all marketing efforts, marketers aim, therefore, at thoroughly understanding the customer and his needs. But to understand the customer is not an easy job when compared with the complexity of the human mind.

The broader question of why people behave as they do is the basis of psychology and of the social science marketers seek the assistance of all the social sciences and concentrate on human behaviour as 'customer of goods and services'. We would like to know exactly how the customer makes his buying decisions. Thus every marketer wants to understand his customer is not easy given the complexity of the human mind.
The broader question of why people behave as they do is the basis of psychology and of the social science marketer seek the assistance of all the social sciences and concentrate on human behaviour as 'customers of goods and services'. We would like to know exactly how the customer makes his buying decisions. Thus every marketer wants to understand his customer and his needs 'better' so as to be able to satisfy him 'better'. Their buying decisions is essential for the successful marketing of any product or service only such an understanding of potential buyers will enable the company to know whether its products and brands will be chosen by him.\textsuperscript{18}

3.12.1 VARIOUS THEORIES

The human mind, as we have noted above, is very complex and often termed a 'Black Box'. The following theories have tried to explain how buyers minds work, and how they decide whether to buy or not to buy.

a. Marshallian Economic Model

Human behaviour is rational, prudent and economic purchase decision result from conscious economic calculations of costs of benefits.

b. Freudian Psychoanalytic model

The human mind is guided by childhood experience including fear, guilts, hopes, etc. An individual behaviours based on these deep-rooted factors may very well not be entirely rational or may even be irrational.
c. Paulovian Learning Model

Buyers are in a continuous learning situation in the market. Their responses are conditioned by their experience in the process of satisfying their needs. Therefore repetitive and strong stimuli might be needed to influence the buyer and obtain the designed response.

d. Veblenian Socio-Psychological model

A man is primarily a social animal. He has several circles of social influence, viz family, face to face groups, reference groups, social class, sub-culture, in that order of affinity. His decisions are conditioned by all these factors, which surrounded him.

e. Hobbesian Organizational model

This is a model of the industrial buyer. The salaried buyer seeks to satisfy his personal needs along with his organizational needs. He responds to rational arguments but calculates the risks involved in taking a decision.

3.13 BUYING MOTIVES

Needs

People buy products or services to satisfy their needs. Needs may be physiological, like the necessity for food, drink, sex, shelter, etc, or psychological on an individual view of himself and his relation to society. This
means that our needs became wants and wants become demands. Therefore, basically, needs motivate people to buy. These needs might be real, intelligent or imaginary marketers do not pass such judgements on needs but consider it their responsibility to satisfy them to the extent they can. They even go beyond this and stimulate new specific wants there is nothing unethical in creating such demand for new products because ultimately it is the customer who selects which of his wants he should satisfy, his order of priorities and the manner in which this should be done.

3.14 FACTORS AFFECTING NEEDS

Needs are also often determined by a number of variables which can be divided into two groups, as follows.

(a) Intra-personal variable

Emotional predisposition to respond positively or negatively to an object or class of objects.

Opinions and beliefs

These also may be deep-rooted but are not so action oriented.

Personality factors

Dominance, dependence, aggressiveness, sociability responsibility etc.
(b) Inter Personal variables

Individual interacts knowingly or unknowingly with the family reference group, social class and culture, in arriving at their decisions, including buying motives. The relevance of all these variables lies in the fact that even persons who have their own, personal value systems, are to some extent influenced, consciously or unconsciously, by these variables, which surrounded them.

(c) Basic Human Needs

At the root of all the buyers needs are basic human motives, viz., fear, vanity, pride, desire for wealth, sex or romance, love for others, health or physical well-being comforts, convenience, etc. However a men list of such basic motives is in sufficient to explain why and how consumers buy.

Therefore, the buying motives of the customers are all their own NEEDS as they perceive them.

3.15 BUYING PARTICIPANTS

Normally a buyer does not go through the buying process all on his own. There is infact often the participation of several persons, particularly so in industrial buying.
Roles (in general)

1. User
2. Influencer
3. Decider
4. Buyer

All these roles may be performed by several different persons or may be combined into one or a few individuals. It may also be noted that the roles of all the participants interact with one another and are not independent.

Industrial Buying

1. User
   Requisitioning Department
2. Influencer
   Purchasing Department of Staff
3. Decider
   Purchase manager or committee
4. Buyer
   Purchasing Agent

3.16 SIX LEVELS

Brand can convey up to six levels of meaning

a. Attributes

A brand brings to mind certain attributes such as, expensive, well-built, well-engineered, durable, high-prestige automobiles.

b. Benefits

The benefits are two types such as emotional benefit and functional benefit.

c. Values

The brand says producers value such as high performance safety & prestige.
d. Culture

The Mercedes represents German cultures organized, efficient, high quality.

e. Personality

Mercedes may suggest a no-nonsense boss (person), a reigning lion (animal), or an austere palace (object).

f. User

The brand suggests the kind of consumer who buys or uses the product.

3.17 FACTORS INFLUENCING BUYING BEHAVIOUR

A consumer’s buying behaviour is influenced by cultural, social, personal and psychological factors.

A. CULTURAL FACTORS

a. Culture

Culture is the most fundamental determinant of a person’s wants and behaviour. The growing child acquires a set of values, perceptions, preference, and behaviours through his or her family and other key institutions.
b. Subculture

Each culture consists of smaller subcultures that provides more specific identification and socialization for their members.

B. SOCIAL FACTOR’S

In addition to cultural factor's a consumer’s behaviours is influenced by such social factor's as reference groups, family, and social roles and statuses.

a. Reference groups

A person's reference groups consist of all the groups that have a direct or indirect influence on the person's attitudes or behaviour.

b. Family

The family is the most important consumer-buying organisation in society and it has been researched extensively family members constitute the most influential primary reference group.

c. Roles & Statuses

A person participates in many groups-family, clubs, organization.

The person's position in each group can be defined in terms of role and status.
C. PERSONAL FACTORS

The personal factors include the buyer's age and stage in the life cycle, occupation, economic circumstances, life style, and personality and self concept.

a. Age and stage in the life cycle

People buy different goods and services over a life time. They eat baby food in the early years, most foods in the growing and matured years and special diets in the later years. Taste in clothes, furniture, and recreation is also age related.

b. Occupation and economic circumstances

Occupation also influences a person's consumption pattern. A blue-collar worker will buy work clothes, work shoes, and lunch boxes.

c. Life style

A life style is the person's pattern of living in the world as expressed in activities, interests, and opinions. Life style portrays the "Whole person" interacting with his or her environment.

d. Personality and self concept

By personality, we mean distinct wishing psychological characteristics that need to relatively consistent and enduring responses to environment.
D. PSYCHOLOGICAL FACTOR'S

A person's buying choices are influenced by four major psychological factors: motivation, perception, learning, and beliefs and attitudes.

a. Motivation

They arise from psychological states of tension such as hunger, thirst, discomfort, other needs. They arise from psychological states of tension such as the need for recognition, esteem, or belonging.

b. Perception

Perception is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world.

c. Learning

Most human behavior is learned. Learning theorists believe that learning is produced through the interaction of drives, stimuli, cues, responses, and reinforcement.

d. Beliefs and Attitudes

A belief is descriptive thought that a person holds about something.
An attitude is a person's enduring favourable or unfavourable evaluations, emotional feeling and action tendencies toward some object or idea.

The factor's influence buying behaviour can be explained in the following diagram:

**Diagram 3.4**

**FACTORS INFLUENCING BUYING BEHAVIOUR**

- **Culture**
  - Culture
  - Sub Culture
  - Reference
  - Family
  - Roles & Status
  - Age & Stage
  - Occupation
  - Life Style
  - Personality
  - Motivation
  - Perception
  - Learning
  - Belief and Attitudes
3.18 ORGANISATION

Sheldon says, “An organisation is the process of so combining the work which individuals or groups have to perform with the facilities necessary for its execution, that the duties so performed provide the best channels for the efficient, systematic positive and coordinated application of the available effort.”

Marketing organisation is a separate organisation for the purpose of marketing alone. It is defined as, “A group of people brought together to participate in a common effort to accomplish certain goals.” Organisation is the backbone of the management with proper care at all levels; it is possible for the management to attain the aimed goal.

An organisation structure and its design have to be planned by the management, as an architect designs a building. The architect has to look at the size and type of land, environment, materials and many other factors in designing the building for an aimed or specific object. In the same way, when the management of a firm designs the organisation structure it is a job more than that of an architect. They have to look into many matters. Another example will be a game which an unlimited number of players assemble without specific role assigned to each so, everyone has got his own rules and this will bring no result to the game. Therefore when designing an organisation structure, the following principles may be followed to achieve the set aim."
Diagram 3.5

ORGANISATIONAL CHART

UNIT MANAGER (HEAD)

General Manager
Finance

- Accounts Coordinator
- Stores Executive
- Purchase Executive

General Manager
Plant

- Production Manager
- Production Engineer
- Personnel Manager

 Territory Development
Manager

- Accounts Development
- Consumer Executive
- Territory Asst. Manager
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