CHAPTER II

CONCEPTUAL FRAMEWORK AND METHODOLOGY

2.1: CONCEPTUAL FRAME OF THE STUDY

2.1.1 Marketing defined:

William J. Stanton has defined marketing as "a total system of interacting business activities designed to plan, price, promote and distribute want-satisfying products and services to present and potential customers". Not only does marketing deal with goods and services but it also focuses on ideas, issues, concepts and principles.¹

Marketing as defined by Philip Kotler and Garry Armstrong (1996:6) is "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others".²

In a similar way, the American Marketing Association (AMA) also viewed the term 'marketing' as, "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objects".³

Paul Mazur defined marketing as the creation and delivery of a standard of living to society. This definition catches the real spirit of the marketing process. It has consumer orientation which duly honours the marketing concept which indicates a shift from product to customer-orientation, i.e., fulfillment of customer needs and desires.⁴

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others. For a managerial definition, marketing has often been described as "the art of selling products", but people are surprised when they hear that the most

important part of marketing is not selling! Selling is only the tip of the marketing iceberg.⁵

We see marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.⁶

Marketing is a total system of business, an ongoing process of:

i) discovering and translating consumer needs and desires into products and services (through planning and producing the planned products),

ii) creating demand for these products and services (through promotion and pricing),

iii) serving the consumer demand (through planned physical distribution) with the help of marketing channels, and then, in turn,

iv) expanding the market even in the face of keen competition.

The modern marketer is called upon to set the marketing objectives, develop the marketing plan, organise the marketing function, implement the marketing plan or programme (marketing mix) and control the marketing programme to assure the accomplishment of the set marketing objectives.⁷

In short, modern marketing begins with the customer, not with production cost, sales, technological landmarks and it ends with the customer satisfaction and social well-being. Thus, marketing is a system of integrated business activities designed to develop strategies and plan (marketing mixes) to the satisfaction of customer wants of selected market segments or targets.

Marketing is the basic reason for the existence of a business organization. It works as the guide for all business/non-business organizations. Marketing is said to be the eyes and ears of a business organization because it keeps the business in close contact with its economic, political, social and technological environment and informs it of events that can influence its activities as per requirements of the market. Marketing helps in having a good range of products in constant demand and suggests to the management the scope for improving and developing new products to satisfy the changing customer needs.

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⁶ Ibid.
needs. Marketing satisfies customer needs by providing form utility, person utility, exchange utility, place utility and time utility.\(^8\)

**Form Utility**

Raw Materials — converted into — Finished Goods

(Understanding Customers’ Requirements)

**Person Utility**

Marketer — transfer goods to — Customers

(Understanding Customers’ Requirements)

**Exchange Utility**

Seller — establishing contact — Buyers

(As per the requirements of Customers)

**Place Utility**

Channel of — physical distribution — Buyers

Distribution & logistics

(As per convenience of Customers)

**Time Utility**

Warehousing — making available — Customers

Goods when needed

creating time utility

(As per of Customers’ requirements)

Thus, the term ‘marketing’ can be summed up as consisting of:

- sales in a planned way;
- creation of customer;
- creating demand and satisfying it.

Marketing is the task of creating, promoting and delivering goods and services to customers and businesses. So marketer should be skilled in stimulating demand for a

\(^8\) Ibid.
product, but this is too limited a view of the tasks marketers perform.\(^9\) Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. Marketers seek to influence the level, timing and composition of demand to meet the organisation’s objectives.\(^10\)

For the first time in nearly 20 years, the American Marketing Association has finally updated its definition of marketing to put stronger emphasis on the power of building strong customer relationships. The AMA is a respected organization of 38,000 members that has been around for more than six decades. Many in the industry see it as setting the standards of marketing practices and education. "I think this change should have happened 10 years ago," notes one marketing professional. "New marketing levels aren’t cutting it to sustain levels of profitability. This definition change acknowledges that consumer value drives the marketplace."

The previous AMA definition of marketing, active since 1985, was based more upon traditional definitions: "Marketing is the process of planning and executing conception, pricing, promotion and distribution of goods, ideas and services to create exchanges that satisfy individual and organizational goals."

The new definition, unveiled in August, 2006, is:

"Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

Jack Hollfelder, Senior Director of Publishing for AMA, describes the definition change as moving from a transaction orientation to one that focuses on the customer. "Technology and marketing have been changing quite rapidly over the last five to 10 years. The 1985 definition was not encompassing enough. The new definition more clearly infuses the customer into marketing."\(^11\)

We have discussed several definitions of marketing with their features but for our study purpose we accept the definition given by Philip Kotler and Garry Armstrong (1996:6) is "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others."

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\(^10\) Ibid.

\(^11\) Ibid.
2.1.2 Marketing as a System

A system is assemblage of things connected or interrelated so as to form a complex unity; a whole composed of parts and sub-parts in orderly arrangement according to some scheme or plan.\textsuperscript{12}

The following features of a ‘system’ are seen as particularly important:

i) A system is basically a combination of parts or sub-systems.

ii) Parts and sub-parts of a system are manually related to each other, some more, some less; some directly, some indirectly.

iii) A system is not merely the totality of parts or sub-parts but their arrangement is more important.

iv) A system can be identified because it has a boundary. In the case of physical system, this boundary is quite visible and, therefore, the system can be identified easily.

v) The boundary of a system classifies it into two parts: closed system and open system. All living organism are open systems while all non-living systems are closed systems.

vi) System transforms inputs into outputs. This transformation process is essential for the survival of the system.

For the purpose of the present study, marketing is also regarded as a system. This is because, marketing draws heavily from system concepts. When system concepts are applied to marketing, it may be seen in the following ways:

i) Marketing as a social system.

ii) Marketing as an open system.

iii) Marketing having an adaptive approach.

iv) Marketing as a dynamic system.

v) Marketing also as a multi-level and a multi-dimensional system.

Indeed, the system approach provides the best model for marketing activity. It places emphasis on the inputs to the system and the outputs produced. It helps in the determination of marketing programmes and the total marketing mix.\textsuperscript{13}


\textsuperscript{13} Ibid, pp- 69-72.
The following figure (adopted from Kotler: 1994) depicts marketing as a system showing thereby its elements, the various functions involved, the system boundary, and also the interaction of the system with its given environment.¹⁴

Figure 1: Components and Boundary of the Marketing System

Adoption of a systems approach provides a good basis for the logical and orderly analysis of marketing activities. It stresses marketing linkages inside and outside the firm. It emphasizes changing environment and the inference of marketing with its micro and macro environment.

2.1.3 Elements of the Marketing System collectively constitute the Marketing Mix

Marketing plan is a system and its parts or components are subsystems. There are four components or sub-systems of marketing plan or marketing mix viz., product, price, promotion and place. Marketing managements centres on these four areas of marketing

mix or plan. Marketing information system provides data for decision-making in all marketing areas or problems. It is also a part of marketing system.\textsuperscript{15}

The idea of the ‘mix’ of marketing functions was conceived by Prof. Neil H. Borden of Harvard Business School. According to him, “the marketing mix refers to the apportionment of effort, the combination of designing, and the integration of the elements of marketing into a programme of ‘mix’ which, on the basis of an appraisal of the market forces, will best achieve the objectives of an enterprise at a given time.”\textsuperscript{16}

Thus, marketing mix is a plan designed to analyse the marketing problems. The problems are analysed by –

1) Utilizing the important forces emanating from the market which influence the marketing operations of an enterprise (for example, product acceptance, demand, price, etc.); and

2) Adopting procedures and policies for an efficient marketing programme (for example, distribution policies, promotional policies, etc.).

The marketing mix denotes a combination of various elements which in their totality constitute a firm’s ‘marketing system’. These elements are often described as four P’s: Product, Price, Placement (Distribution) and Promotion. Marketing mix is an important tool used by marketing managers to design the process of marketing in an organization. Marketing process is conditioned by certain ‘controllable’ and ‘non-controllable’ elements. Controllable elements are within the hold of an organization and, therefore, have to be properly ‘shaped to achieve marketing and company goals’. These controllable elements are ‘mixed’ by grouping them into four variables (Four P’s) and termed as ‘Marketing Mix’.

Originally, this classification was popularized by E. Jerome McCarthy as produce, place, promotion and price. But later on the ‘place’ element has been replaced by ‘Physical Distribution’.\textsuperscript{17}

Further improvement in this concept was introduced by Neil H. Borden by including more sub-elements to make the concept full. The concept of Marketing Mix is useful in designing a marketing strategy to meet the ‘uncontrollables’ or to nullify their effects.

\textsuperscript{15} S.A. Sharlekar, 2006, op.cit., p-11.
\textsuperscript{16} N.R. Nair and S.R. Nair, 1994, op.cit., p-29.
\textsuperscript{17} Philip Kotler, 2003, op. cit., p-16.
The controllables are sometimes referred to also as external factors or ‘market forces’. They are:

a) Consumer buying behaviour,
b) Traders’ behaviour,
c) Competitors’ behaviour, and
d) Government behaviour.

Philip Kotler has defined the term marketing mix as “the set of controllable variables that the firm can use to influence the buyers response”.

Marketing mix is more a tool than a concept. Because, it is a blend of decisions to provide a marketing offer to the selected markets or consumers. The idea behind the development of a mix is that certain combination of four P’s will produce greater customer satisfaction than other blends. As such, marketing mix is used as a strategy in developing market planning.

The concept of marketing mix has led to the need for integrating various functions and fitting them into the total fabric of the objectives of an organization.\(^\text{18}\)

The decisions and activities related to the marketing mix variables viz. product, place (distribution), promotion, and price are as follows\(^{19}\):

**The Product variable**

A product can be a good, a service, or an idea. The actual physical production of products is not a marketing activity. However, marketer do research consumers’ product wants and design a product to achieve the desire characteristics. They may also create and alter packages and brand names. This aspect of the marketing mix is known as the product variable.

Product variable decisions and related activities are important because they are involved directly with creating want -- satisfying products. To maintain a satisfying set of products that will help an organization to achieve its goals, a marketer must be able to develop new products, modify existing ones, and eliminate those that no longer satisfy buyers and yield acceptable profits.

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The Place (Distribution) variable
To satisfy consumers, products must be available at the right time in a convenient and accessible location. In dealing with the place (distribution) variable, a marketing manager attempts to make products available in the quantities desired to as many customers as possible and to hold the total inventory, transportation, and storage costs as low as possible. A marketing manager may become involved in selecting and motivating intermediaries (wholesalers and retailers), establishing and maintaining inventory control procedures, and developing and managing transportation and storage systems.

The Promotion variable
The promotion variable is used to facilitate exchanges by informing one or more groups of people about an organization and its products. Promotion is used for various reasons. For example, it might be used to increase public awareness of an organization or a new product or brand. In addition, promotion is used to educate consumers about product features or to urge people to adopt a particular position on a political or social issue. It may also be used to renew interest in a product whose popularity is wanting.

The Price variable
Consumers are interested in a product's price because they are concerned about the value obtained in an exchange. In the area of the price variable, marketing managers usually have a hand in establishing pricing policies and determining product prices. Because price is important to consumers, it is a critical component of the marketing mix. It often is used as a competitive tool; in fact, extremely intense price competition sometimes leads to "price wars".

However, as Kotler and Armstrong (1996) emphasised, the four P's represent the seller's view of the marketing tools available for influencing buyers. From a consumer point of view, each marketing tool is designed to deliver a customer benefit. In fact, Robert Lauterborn (1990) suggested that marketer should view the four P's in terms of the customers' four C's:

<table>
<thead>
<tr>
<th>Four P's</th>
<th>Four C's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Customer needs and want</td>
</tr>
<tr>
<td>Price</td>
<td>Cost to the customer</td>
</tr>
<tr>
<td>Place</td>
<td>Convenience</td>
</tr>
<tr>
<td>Promotion</td>
<td>Communication</td>
</tr>
</tbody>
</table>
From this point of view, it becomes clear that the aim of marketing endeavour should be to meet customers' needs economically and conveniently and with effective communication.20

2.1.4 Focus and orientation of the marketing system depend on 'how marketing is conceptualised':

The origin of marketing can be traced to people’s earliest use of the exchange process: the barter era. With barter, people traded one resource for another – like food for animal pelts. To accommodate exchanges, trading posts, traveling salespeople, general stores, and cities evolved along with a standardized monetary system. The modern system of marketing begins with the industrialization of an industry, country, or region.21 Since the industrial revolution, business management has undergone six distinct concepts of marketing:

i) The Exchange-orientation Concept: Marketing does involve exchange of a product between a seller and a buyer usually based on money. But modern marketing is not merely an exchange operation. Marketing covers search of unmet customer wants, formulation of marketing strategies, marketing mix, creative selling and advertising, serving the customer and so on. All these other vital ingredients of marketing are conveniently forgotten in exchange oriented marketing approach.

ii) The Production Concept: The production concept holds that consumers will favour those products that are widely available and low in cost. Managers of production-oriented organizations concentrate on achieving high production efficiency and wide distribution coverage.22

iii) The Product Concept: The product concept holds that consumers will favour those products that offer the most quality, performance, or innovative features. Managers in these product-oriented organizations focus their energy on making superior products and improving them over time. The product-oriented companies often design their products with little or no customer input. They trust that their experts will know how to design or improve the product.23

23 Ibid, p-16.
iv) The Selling Concept: The selling concept (or sales concept) is another common approach many firms take to the market. The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organisation's products. The organization must therefore undertake an aggressive selling and promotion effort. The selling concept is practiced most aggressively with "unsought goods", those goods that buyers normally do not think of buying, such as, insurance, encyclopedias, etc. Most of the firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than what the market wants.24

v) The Marketing Concept: The marketing concept is a business philosophy that challenges the previous concepts. Its central tenets crystallized in the mid-1950s. The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.25

The marketing concept rests on four main pillars, namely, target market, customer needs, coordinated marketing, and profitability.26

vi) The Societal Marketing Concept: It is broadened marketing concept. Since 1980, management is called upon to bring about balance of three factors: (a) customer demand satisfaction, (b) public interest (social awareness), and (c) profitability. This new concept is known as the human concept and ecological concept.27 The societal marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.28

24 Ibid, p-17.
26 Ibid.
2.1.5 Within a competitive framework the marketing system essentially has to be consumer-oriented:

When a marketer adopts a market-oriented business philosophy the guiding principle becomes "it is more effective to make what customer wants to buy than to sell them what a marketer wants to make or sell." Thus, planning and co-ordination of all company activities revolve around the primary goal of satisfying customer demand. The marketing concept defined as a customer-oriented philosophy duly integrated and implemented through the entire organization in order to serve customers better than competitors and thereby ensure sustained growth and prosperity.  

Two radical changes were brought about when the marketing concept was introduced after 1950s in the process of marketing.

a) We have a steady shift from producer-oriented or sales-oriented business enterprise to the customer-oriented business enterprise. Marketing and innovation are now the distinguishing features of a business organization from those of other types of social institutions.

b) We have also a gradual shift from *caveat emptor* (buyer beware) to *caveat vendor* (seller beware).

Thus, marketing concept as customer-oriented marketing philosophy of the entire business organization has four premises:

i) Customer Orientation: The essence of modern marketing concept is "the firm must take its marching orders from the market and it must produce what the market needs."

ii) Marketing Information System: the marketing concept also emphasizes the role of information as the key to both customer satisfaction and profitability. Customer demand can never be satisfied without integrated marketing programmes based upon adequate and accurate information about customer, customer needs and competition.

iii) Integrated Marketing Activities: System approach adopts a unified view of the study of marketing. All marketing activities must be properly integrated and coordinated to accomplish a set of objectives.

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iv) Dual Objectives: marketing concept advocates serving the consumers and maximizing profits at the same time. These objectives, though conflicting, can be reconciled. Profit is a by-product of supplying what the customer wants.

Under customer-oriented business planning, market offerings are made to satisfy wants and values of target market and hence customers are bound to response favourably towards marketing mix. We can differentiate the marketing concept from the production concept as:

<table>
<thead>
<tr>
<th>Production Concept</th>
<th>Marketing Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is presumed that firms sell what they would make.</td>
<td>1. Firms sell only what the consumers want.</td>
</tr>
<tr>
<td>2. The focus is on performance and cost.</td>
<td>2. The focus is on customer satisfaction.</td>
</tr>
<tr>
<td>3. The product line is usually narrow.</td>
<td>3. Wide range of product line is available to suit diverse customer needs and wants.</td>
</tr>
<tr>
<td>4. The Emphasis is predominantly on product front.</td>
<td>4. Emphasis is given on integrated marketing.</td>
</tr>
<tr>
<td>5. The concept works only in a seller market.</td>
<td>5. It enables the firm to move more quickly to capitalize on market opportunities.</td>
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Clearly, the focus today is on customer needs and preferences. Product line becomes broad. Pricing is based on perceived benefits provided. Promotion now emphasizes on product benefits and aims to solve customer problems. Market research enables the firm to focus on opportunities and applying new technologies for customer convenience. The adaptation of marketing concept sincerely can easily act as the best response of the business to consumerism.

2.16 The consumer domain is plural and diverse with ever-expanding frontiers and shifting loyalties:

When all the departments of a firm work together to serve the customers' interests, the result is integrated marketing. Integrated marketing takes place on two levels. First, the various marketing functions – sales force, advertising, customer service, product management, marketing research – must work together. Second, marketing must be embraced by the other departments; they must also “think customer.” Now, the

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32 Ibid, p-16.
customer is treated as the controlling function and marketing as the integrative function.\textsuperscript{33}

We can say that the market place is what it used to be. It is changing radically as a result of major societal force such as technological advances, globalization, and deregulation. These major forces have created new behaviours and challenges\textsuperscript{34}:

i) Customers increasingly expect higher quality and service and some customization. They perceive fewer real product differences and show less product/brand loyalty. They can obtain extensive product information from the internet and other sources, which permits them to shop more intelligently.

ii) Manufacturers are facing intense competition from domestic and foreign front, which is resulting in rising promotion costs and shrinking profit margins.

Marketers also are rethinking their philosophies, concepts, and tools. The major marketing themes in the changing situation are\textsuperscript{35}:

i) Customer relationship marketing: from focusing on transactions to building long-term, profitable customer relationship. Firms focus on their most profitable customers, products and channels.

ii) Customer lifetime value: From making a profit on each sale to making profits by managing life time sales. Some companies offer to deliver a constantly needed product on a regular basis at a lower price per unit because they will capture the customer for a longer period.

iii) Customer share: from a focus on gaining market share to a focus on building customer share.

iv) Target marketing: From selling to every one to trying to be the best firm serving well-defined target market. Target marketing is being facilitated by the proliferation of special-interest magazines, TV channels, and internet news group.

v) Customization: From selling the same offer in the same way to everyone in the target market to individualizing and customizing messages and offerings.

\textsuperscript{33} Philip Kotler, 2003, op. cit., p-22.
\textsuperscript{34} Ibid, pp-27-29.
\textsuperscript{35} Ibid.
vi) Customer Database: From collecting sales data to building a rich data
warehouse of information about individual customers’ purchases,
preferences, and demographics and profitability. Firms can then apply data
mining techniques to discover new segments and trends hidden in the data.

vii) Integrated marketing communications: From heavy reliance on one
communication tool such as advertising or sales force to blending several
tools to deliver a consistent brand image to customers at every brand
contact.

viii) Channels as partners: From thinking of intermediaries as customers to
treating them as partners in delivering value to final customer.

ix) Every employee a marketer: from thinking that marketing is done only by
marketing, sales and customer support personnel to recognizing that every
employee must be customer-focused.

x) Model-based decision making: From basing decisions on intuition or slim
data to basing decisions on models and facts on how the marketplace works.

These major themes will be examined to help marketers and companies sail safely
through the rough but promising water ahead. Successful companies will be those who
can keep their marketing changing with the changes in their marketplace - and market
space.36

2.1.7 Adaptation of the marketing mix for effective marketing practices

For effective marketing, firms in any given industry must continually adapt their
marketing practices to suit changing customary preferences. At one extreme are
companies that use a standardized marketing mix world-wide. Standardization of
product, advertising, distribution channels and other elements of marketing mix
promises the lowest costs because no major changes are introduced to serve consumers
in specific country or geographical area. At other extreme is the idea of adapted
marketing mix, where the producer adjusts the marketing mix elements to each target
market, bearing more costs but hoping for a larger market share and profit return.37

Marketing experts have suggested a number of possible adaptations that firms might
make of their product, promotion, price, and distribution as they enter into foreign

36 Ibid.
markets. Philip Kotler has given a detailed account of how adaptation is possible in all the four P's. His points are summed up below:\footnote{Ibid, pp-419-425.}

**Product**

Product adaptation involves altering the product to meet local conditions or problems. There are several adaptations. A marketer can produce a regional version of its product. Product invention consists of creating something new. It can take two forms. Backward invention means reintroduce earlier product forms that are well adapted to a foreign country's need. And, forward invention is creating a new product to meet a need in another country.

**Promotion**

Companies can run the same advertising and promotion campaign used in the home market or changes them for each local market.

The company can change its message at three different levels. It can use one message everywhere, only varying language, name, and colours; the next possibility is to use the same theme globally but adapt the copy to each local market.

Finally, some companies encourage or allow their advertising agencies to adapt the theme and execution to each local market.

The use of media also requires international adaptation because media availability varies from country to country. Marketer must also adapt their sales-promotion techniques to different markets.

**Price**

Several specific pricing options have to be considered before selling products abroad. Companies must deal with price escalation. Transfer prices, dumping charges and gray markets. To set prices in different countries companies have a number of choices:

i) Setting a uniform price everywhere;

ii) Setting a market-based price in each country;

iii) Setting a cost-based price in each country.

The pros and cons of each option must be taken into consideration by the marketer while formulating pricing policy.
Placement (Distribution)

Channels of distribution vary considerably among countries. There are striking differences in the number and types of middlemen serving such foreign market. Another difference lies in the size and character of retail units abroad. In view of these differences, it might be necessary for an exporter to efficiently adapt the channel according to individual country’s specification. In any case, the marketer should design the channel strategy so as to reach out to the consumer and in a way which the consumer feels is the most convenient one for him.

2.1.8 Suitable adaptation of the marketing mix in an export market always offers a special problematic

Domestic marketing is concerned with the marketing practices within a marketer’s home country. From the perspective of domestic marketing, marketing methods used outside the home market are foreign marketing. Therefore, foreign marketing encompasses the operations within a foreign country. For example, an Indian company considers marketing in India as domestic marketing and marketing in UK as foreign marketing. To a British firm, the opposite is true – British marketing is domestic, and Indian marketing is foreign.39

Domestic marketing involves one set of uncontrollables derived from the domestic market. International marketing is much more complex because a marketer faces two or more set of uncontrollable variables originating from various countries. The marketer must cope with different cultural, legal, political, and monetary systems.40

Export marketing is different from domestic marketing in as much as the exchange takes place beyond the frontiers, thereby involving different markets and consumers who might have different needs, wants and behavioural attributes.41

In fact, the distinctive features of export marketing and the complexities associated with it stem mainly from three fundamental differences42:

First, the marketing environment comprising the cultural, legal, political and economic frameworks widely differs among the nations.

40 Ibid, p-11.
42 Ibid.
Second, the pace of change in the marketing environment is relatively fast compared to the same in the domestic tariff area.

Third, the scale and intensity of competition is also different.

Logistics pose an additional problem which is also far more challenging than the same in case of domestic tariff area.43

Given the aforesaid challenges, every firm or industry often finds itself confronted by four decision-situations:

a) deciding whether to engage in and/or continue with export marketing;

b) deciding which markets are to be targeted especially and served;

c) deciding on the mode of entry into a new market or of consolidating in an existing market; and

d) deciding on the export marketing mix.

For an established exporter, the last one of the above mentioned four decision-situations is the most challenging one. As the marketing environment as well as the range and intensity of the competition continually changes, effective export marketing demands a continuous reshuffling, modifying, improving and updating the marketing mix to enable the marketer successfully meet the challenges thrown by the changing needs of the time and situation.44

2.2 DATA SOURCES AND METHODOLOGY

The prime objective of the study is to assess the marketing practices and performance of the tea industry during the period 1981-2001. The process of economic reforms was initiated in India in 1991. Considering this, the study period has been broken down into two sub-periods, 1981-1991 (i.e., the 10 years preceding economic reforms) and 1991-2001 (i.e., the first 10 years of economic reforms). A comparison of the marketing performance and marketing practices of the tea industry during these two sub-periods is undertaken in order to assess the impact of economic liberalization on the said practices and performance.

The underlying premise or hypothesis throughout the study has been that economic liberalization by triggering shifts in favour of openness, deregulation, increased

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43 Ibid, pp-17-91.

44 Ibid.
competition, decision-making-freedom and innovation would lead to significant changes in the marketing practices followed by an industry particularly in handling its given marketing mix.

To be more specific, the study has been guided by the following three tentative and a priori hypotheses:

i) There has been significant market opening (in terms of increased imports from other countries) during the period of economic liberalization.

ii) Increased competition in the domestic market has forced the Indian tea industry to be increasingly export-market oriented.

iv) Appropriate coping strategy has also been adopted by the tea industry in terms of product-diversification, promotional campaign and placing strategy.

To put it otherwise, the above are the three questions which have been extensively investigated in course of the present study.

The study is based mainly on industry-level aggregate data. We have relied primarily on the data published by the Tea Board, India and by the various planters' associations, specifically the Indian Tea Association. Also, the data and information published regularly by various tea auction centres in the country and by some prominent tea brokers, who are engaged in tea trade, have also been used.

Also, informations regarding the marketing practices followed by the Indian tea industry have been collected from various financial newspapers, particularly the Economic Times, the Business Standard and other bulletins, periodicals and publications of the various planters' associations. The available reports of different committees, institutions and agencies on Indian tea industry have also been scanned to know the marketing practices and problems of the industry in this changing situation.

The minutes of Annual General Meetings of Indian Tea Association normally devote a substantial space towards the discussions of marketing practices and problems. These minutes helped us to know the practices followed by the industry and their reaction and response to various policy initiatives by the government. These minutes have been scanned meticulously for the purpose of the survey. To supplement the information procured from the aforesaid sources, personal visits to the offices of the Tea Board of India, Indian Tea Association, Tea Association of India and Calcutta Tea Traders' Association in Kolkata were undertaken. Regular personal visits to the offices and interaction with the marketing officials of J. Thomas & Co. Pvt. Ltd. (in their Kolkata and
Guwahati offices) and the officers of the Guwahati Tea Auction Centre at Guwahati were also undertaken.

Interviews and informal discussions were arranged with some top officials of the Tea Board, India and the various associations and organizations. The Tea Board’s officials include the Controller of Licensing, Directors - Tea Promotion, Assistant Directors of Tea Promotion and the Statistician. Discussion were also held with the Secretary-General of the Indian Tea Association (ITA), Deputy Secretaries of ITA, and some other senior officials of ITA, Kolkata; Secretary-General of the Tea Association India (TAI) and Research Officer of TAI, Kolkata; Secretary of the Calcutta Traders Association (CCTA), Kolkata; Assistant Secretary and senior officials of Guwahati Tea Auction Centre, Guwahati; Director – Marketing of J. Thomas & Co. Pvt. Ltd., Kolkata; Secretary and senior officials of Indian Tea Association – Surma Valley Branch, Silchar; Secretary and senior officials of Tea Association India – Barak Valley Branch, Silchar.

To gain insight as regards the marketing practices of different firms and the intricacies of the overall marketing practices of Indian tea industry, personal visit to the offices of some select companies were undertaken. In fact, extensive discussions were arranged with the top marketing officials of Tata Tea Limited, Duncan Industries Ltd., Assam Brook Ltd., Luxmi Tea Co. Ltd., Goodricke Group Ltd., Jayshree Tea & Industries Ltd., Andrew Yule & Co. Ltd., Bisseswarlal Mannalal & Sons, AFT Industries Ltd., West Bengal Tea Development corporation Ltd., Chammung Tea Co. Ltd, and Cachar Native Joint Stock Co. Ltd.. To substantiate the major points arrived at through the industry-level study, the marketing practices of three leading producer companies of India namely, Tata Tea Limited, Duncan Tea Industries Limited and Goodrick Group Limited, who have significant market shares, both in export market and domestic market, and involved in marketing of bulk tea as well as packet tea and other value-added products, were analyzed. We have not included the erstwhile Brooke Bond Lipton India Limited, since this company is involved mostly in merchandising activities and the company has undergone a series of mergers over the last few years, leading to its final merger with Hindustan Lever limited.

The collected data were processed and analyzed by using appropriate statistical techniques to reach the final observations of the survey.