Chapter -1
INTRODUCTION

1.1 Introduction

1.2 Conceptual Background

1.2.1 Marketing Mix

1.2.2 Customer Perception and Satisfaction

1.3 Perception towards Marketing Mix

1.3.1. Customer Perception for Marketing Mix

1.3.2. Dealer perception for Marketing Mix
1.1 INTRODUCTION

Indian Auto Industry

The Indian auto industry is one of the largest in the world. The industry accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). The Two Wheelers segment with 81 per cent market share is the leader of the Indian Automobile market owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. The overall Passenger Vehicle (PV) segment has 13 per cent market share.

India is also a prominent auto exporter and has strong export growth expectations for the near future. In April-March 2016, overall automobile exports grew by 1.91 per cent. PV, Commercial Vehicles (CV), and Two Wheelers (2W) registered a growth of 5.24 per cent, 16.97 per cent, and 0.97 per cent respectively in April-March 2016 over April-March 2015 (Nisha & Soundararajan, 2017). In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the 2W and Four Wheeler (4W) market in the world by 2020 (Future of the Indian automobile industry, 2017).

The sales of PVs, CVs and 2Ws grew by 9.17 per cent, 3.03 per cent and 8.29 per cent respectively, during the period April-January 2017. In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US$ 15.79 billion during the period April 2000 to September 2016, according to data released by Department of Industrial Policy and Promotion (DIPP) (Rao, 2017). India’s automotive industry is one of the most competitive in the world. It does not cover 100 per cent of technology or components required to make a car but it is giving a good 97 per cent. Leading auto maker Maruti Suzuki expects Indian passenger car market to reach four million units by 2020, up from 1.97 million units in 2014-15.
Sector highlights

- The automotive manufacturing industry comprises the production of commercial vehicles, passenger cars, and three & two-wheelers.
- Two-wheelers are by far the most popular form of vehicle in India, taking an 80% share in 2015-16.
- 25 million automobiles produced in FY17.
- Total production volume grew at a CAGR of 5.56 per cent between FY12-17

**Passenger Car Market**

The automobile industry today is the most lucrative industry. Increase in disposable income in both rural and urban sector and availability of easy finance are the main drivers of high volume car segments. Further competition is heating up with host of new players coming in and global brands like Porsche, Bentley, and Ferrari all set to venture in Indian market. Today, India’s auto sector is among the top 10 automotive markets in the world and is poised to grow as income levels continue to increase and finance becomes easily available. While the market has been sluggish overall and
produced very few individual successes, most manufacturers are looking at India as the next big hub.

The potential is high because car penetration is low compared to other countries. The sales of Passenger Vehicles grew by 9.23 percent in April-March 2017 over the same period last year. Within the Passenger Vehicles, Passenger Cars, Utility Vehicles and Vans grew by 3.85 percent, 29.91 percent and 2.37 percent respectively during April-March 2017 over the same period last year. In April-March 2017, overall automobile exports declined by (-) 4.50 percent. While Passenger Vehicles and Commercial Vehicles exports registered a growth of 16.20 percent and 4.99 percent respectively, exports of Three Wheelers and Two Wheelers declined by (-) 32.77 percent and (-) 5.78 percent respectively in April-March 2017 over April-March 2016 (Mahajan, 2017).

Figure 1.2: Total Production, Source: Society of Indian Automobile Manufacturers (SIAM)

The passenger car market, after a period of slow and no growth, seems to be showing signs of turning around. Based on the encouraging growth numbers, automotive manufacturers are counting on the general mood of optimism to see the sales change gears and accelerate. The domestic passenger vehicle (PV) sales in India have grown by 9.20%, catapulting the country to become the fifth largest PV market in the world, only after China, US, Japan and Germany. The sales figures surpassed the three million mark in financial year 2017. Ratings agency ICRA has noted that India's PV sales recovered during Q4 FY17 registering a year-on-year growth of 11.1%, as
compared to 1.8% growth in the post-demonetization period in Q3FY17. At this pace, the PV market in India is expected to become the third largest in the world within the next three-four years (Whitepapers, 2017).

**Figure 1.3:** Domestic market Share, Source: Society of Indian Automobile Manufacturers (SIAM)

Domestic car sales during the year grew 3.85 per cent to 21,02,996 units from 20,25,097 units in the previous year. This was the lowest growth since 2014-15, when car sales rose 5.09 per cent. Maruti Suzuki’s Vitara Brezza, Hyundai’s Creta, Renault Duster, Mahindra Scorpio and Ford Ecosport are among the popular SUV models in India at present (The Telegraph, 2017).

**Table 1.1: Market Trends (2011-2017). source: SIAM**

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<tr>
<td>Passenger Vehicles</td>
<td>31,46,069</td>
<td>32,31,058</td>
<td>30,87,973</td>
<td>32,21,41</td>
<td>34,65,045</td>
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<td>6,98,298</td>
<td>7,86,692</td>
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<td>Three</td>
<td>8,79,289</td>
<td>8,39,748</td>
<td>8,30,108</td>
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<td>9,34,104</td>
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<tr>
<td>Two Wheelers</td>
<td>1,54,27,5</td>
<td>1,57,44,1</td>
<td>1,68,83,0</td>
<td>1,84,89,1</td>
<td>1,88,30,22</td>
<td>1,99,29,4</td>
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<td>Grand Total</td>
<td>2,03,82,0</td>
<td>2,06,47,6</td>
<td>2,15,00,1</td>
<td>2,33,58,6</td>
<td>2,40,16,06</td>
<td>2,53,14,4</td>
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**Sales Trends**

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<td>Passenger Vehicles</td>
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<td>26,65,015</td>
<td>25,03,509</td>
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<td>7,93,211</td>
<td>6,32,851</td>
<td>6,14,948</td>
<td>6,85,704</td>
<td>7,14,232</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>5,13,281</td>
<td>5,38,290</td>
<td>4,80,085</td>
<td>5,32,626</td>
<td>5,38,208</td>
<td>5,11,658</td>
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<td>Two Wheelers</td>
<td>1,34,09,1</td>
<td>1,37,97,1</td>
<td>1,48,06,7</td>
<td>1,59,75,5</td>
<td>1,64,55,8</td>
<td>1,75,89,5</td>
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<td>Grand Total</td>
<td>1,73,61,76</td>
<td>1,77,93,7</td>
<td>1,84,23,2</td>
<td>1,97,24,3</td>
<td>2,04,68,9</td>
<td>2,18,62,1</td>
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**Export Trends**

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<td>Passenger Vehicles</td>
<td>5,08,783</td>
<td>5,59,414</td>
<td>5,96,142</td>
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<td>7,58,830</td>
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<td>Commercial Vehicles</td>
<td>92,258</td>
<td>80,027</td>
<td>77,050</td>
<td>86,939</td>
<td>1,03,124</td>
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<td>3,61,753</td>
<td>3,03,088</td>
<td>3,53,392</td>
<td>4,07,600</td>
<td>4,04,441</td>
<td>2,71,894</td>
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<td>Two Wheelers</td>
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<td>19,56,378</td>
<td>20,84,000</td>
<td>24,57,466</td>
<td>24,82,876</td>
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<tr>
<td>Grand Total</td>
<td>29,37,905</td>
<td>28,98,907</td>
<td>31,10,584</td>
<td>35,73,346</td>
<td>36,43,494</td>
<td>34,78,268</td>
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**Car Segment Sector Highlights (Source: Society of Indian Automobile Manufacturers)**

- Two-wheelers and passenger vehicles dominate Indian auto market.
- Two-wheelers and passenger cars accounted for 78 per cent and 15 per cent of production volume in FY17 respectively.
- Domestic passenger car sales dominated by small and mid-size cars.
- Over 67 per cent of export volumes comprised of two-wheelers, followed by 22 per cent for passenger cars.
- In 2016-17, market leader Maruti Suzuki India retained its top position in the domestic PV space selling 14,43,641 units, a growth of 10.59 per cent.
- Rival Hyundai Motor India was a distant second with 5,09,705 units, up 5.24 per cent followed by home-grown Mahindra & Mahindra in the third spot with 2,36,130 units, down 0.07 per cent.
- Tata Motors overtook Honda Cars India to occupy the fourth spot with 1,72,504 units, up 15.45 per cent, while the Japanese rival sold 1,57,313 units during the year, down 18.09 per cent.
- Maruti Suzuki India (47.4%). Hyundai (16.7%) and Mahindra & Mahindra (7.8%) remain the top three players, maintaining their market position during FY17. Tata Motors maintained its status as fourth largest domestic PV player with market share of 5.7% followed by Honda (5.2%). Toyota (4.7%) and Renault (4.4%).
- Tata Motors posted a 23% sales growth in April 2017 over the same month last year. Volumes were registered at 12,287 units within the month, with sales majorly driven by the success of new models such as the Hexa, Tiago and the latest Tigor.

In terms of break-up, during FY17, domestic passenger car (PC: hatchbacks, sedans) accounted for 69% of total domestic PV sales followed by utility vehicle segment (25%) and van segment (6%). While PC segment accounted for bulk of volume, the growth over last few years is primarily driven by UV segment and consequently share of UVs in overall PV sales is also increasing gradually, accounted for one fourth of industry sales volume during FY17. The UV vehicle segment is expected to continue to outperform (Mahajan, 2017).
Need of Study

Buying a car was chosen for the study context for several reasons. First, buying a new car is an important decision for most Customers. Customers’ perceived risk and uncertainty are likely to be relatively high. Prior research suggests that, when faced with performance or quality uncertainty, Customers are more likely to use price as a cue in forming performance expectations (Urbany et al., 1997). In addition, relatively high product prices enhance the likelihood that perceived fairness in marketing mix design may be an important issue. Therefore, this context provides us with an opportunity to examine the influence of price fairness perceptions on satisfaction judgments. Second, an automobile purchase is a complex process, involving price negotiation, interaction with service people, selection of different option packages for the car, signing a purchase contract, as well as the car delivery process. The purchase process usually is made up of a sequence of clearly distinguishable individual episodes typically occurring in a similar order for most auto buyers. These different events provide an opportunity to separate Customers’ satisfactions with different encounters within the entire purchase transaction procedure.

1.2 CONCEPTUAL BACKGROUND

1.2.1 Marketing Mix

Marketing involves a number of activities. To begin with, an organisation may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such mix of product, price, distribution and promotional efforts is known as ‘Marketing Mix’ (Farzad and Nazari. 2012). According to Philip Kotler marketing mix is the set of controllable variables that the firm can use to influence the buyer’s response. The controllable variables in this context refer to the 4 P’s [product, price, place (distribution) and promotion. Each firm strives to build up such a composition of 4P’s, which can create highest level of Customer satisfaction and at the same time meet its organisational objectives. Thus, this mix is assembled keeping in mind the needs of target customers,
and it varies from one organisation to another depending upon its available resources and marketing objectives.

The marketing mix is a model of creating and implementing marketing strategies. It stresses the blending of various factors in such a way that both organizational and Customer objectives are attained. The elements are the marketing tactics, also known as the 'four Ps', the marketing mix elements are price, place, product, and promotion. When blending the mix elements, marketers must consider their target market. They must understand the wants and needs of the market customer then use these mix elements in constructing and formulating appropriate marketing strategies and plans that will satisfy these wants. These four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that center the four P's on the customers in the target market in order to create perceived value and generate a positive response (Kotler, 1967).

The term "marketing mix" became popularized after Neil H. Borden published his 1964 article, The Concept of the Marketing Mix. Borden began using the term in his teaching in the late 1940's after James Culliton had described the marketing manager as a "mixer of ingredients". The ingredients in Borden's marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. E. Jerome McCarthy later grouped these ingredients into the four categories that today are known as the 4 P's of marketing (Kotler, & Zaltman, 1971).

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1. PRODUCT
Product refers to the goods and services offered by the organization. All these are purchased because they satisfy one or more of our needs. We are paying not for the tangible product but for the benefit it will provide. So, in simple words, product can be described as a bundle of benefits which a marketer offers to the Customer for a price. While buying a pair of shoes, we are actually buying comfort for our feet, while buying a lipstick we are actually paying for beauty because lipstick is likely to make us look good. Product can also take the form of a service like an air travel, telecommunication, etc. Thus, the term product refers to goods and services offered by the organisation for sale (Kotler & Levy 1971).
The term "product" refers to tangible, physical products as well as services. Although this typically refers to a physical product, it has been expanded to include services offered by a service organization. As stated earlier, product refers to the goods and services offered by the organisation for sale. Here the marketers have to recognise that Customers are not simply interested in the physical features of a product but a set of tangible and intangible attributes that satisfy their wants. For example, when a Customer buys a washing machine he is not buying simply a machine but a gadget that helps him in washing clothes. It also needs to be noted that the term product refers to anything that can be offered to a market for attention, acquisition, or use. Thus, the term product is defined as “anything that can be offered to a market to satisfy a want”. It normally includes physical objects and services. In a broader sense, however, it not only includes physical objects and services but also the supporting services like brand name, packaging accessories, installation, after sales service etc.

William J. Stanton revealed that “Product is a set of tangible and intangible attributes including packaging, colour, price, manufacturer’s prestige, retailer’s prestige and manufacturer’s and retailer’s services which buyer may accept as offering satisfaction of wants and services”.

Jerome McCarthy, revealed that “A product is more than just a physical product with its related functional and aesthetic features. It includes accessories, installation, instructions on use, the package, perhaps a brand name, which fulfills some psychological needs and the assurances that service facilities will be available to meet the customer needs after the purchase”.

Product can be broadly classified on the basis of (1) use, (2) durability, and (3) tangibility. Let us have a brief idea about the various categories and their exact nature under each head, noting at the same time that in marketing the terms ‘product’ and ‘goods’ are often used interchangeably.

Based on use, the product can be classified as:
(a) Customer Goods; and
(b) Industrial Goods.
(a) **Customer goods**: Goods meant for personal consumption by the households or ultimate Customers are called Customer goods. This includes items like toiletries, groceries, clothes etc. Based on Customers’ buying behaviour the Customer goods can be further classified as:

(i) Convenience Goods;
(ii) Shopping Goods; and
(iii) Speciality Goods.

(i) **Convenience Goods**: Do you remember, the last time when did you buy a packet of butter or a soft drink or a grocery item? Perhaps you don’t remember, or you will say last week or yesterday. Reason is, these goods belong to the categories of convenience goods which are bought frequently without much planning or shopping effort and are also consumed quickly. Buying decision in case of these goods does not involve much pre-planning. Such goods are usually sold at convenient retail outlets.

(ii) **Shopping Goods**: These are goods which are purchased less frequently and are used very slowly like clothes, shoes, household appliances. In case of these goods, Customers make choice of a product considering its suitability, price, style, quality and products of competitors and substitutes, if any. In other words, the Customers usually spend a considerable amount of time and effort to finalise their purchase decision as they lack complete information prior to their shopping trip. It may be noted that shopping goods involve much more expenses than convenience goods.

(iii) **Speciality Goods**: Because of some special characteristics of certain categories of goods people generally put special efforts to buy them. They are ready to buy these goods at prices at which they are offered and also put in extra time to locate the seller to make the purchase. The nearest car dealer may be ten kilometers away but the buyer will go there to inspect and purchase it. In fact, prior to making a trip to buy the product he/she will collect complete information about the various brands. Examples of speciality goods are cameras, TV sets, new automobiles etc.

(b) **Industrial Goods**: Goods meant for consumption or use as inputs in production of other products or provision of some service is termed as ‘industrial goods’. These are
meant for non-personal and commercial use and include (i) raw materials, (ii) machinery, (iii) components, and (iv) operating supplies (such as lubricants, stationery etc). The buyers of industrial goods are supposed to be knowledgeable, cost conscious and rational in their purchase and therefore, the marketers follow different pricing, distribution and promotional strategies for their sale.

It may be noted that the same product may be classified as Customer goods as well as industrial goods depending upon its end use. Take for example the case of coconut oil. When it is used as hair oil or cooking oil, it is treated as Customer goods and when used for manufacturing a bath soap it is termed as industrial goods. However, the way these products are marketed to these two groups are very different because purchase by industrial buyer is usually large in quantity and bought either directly from the manufacturer or the local distributor.

**Based on Durability**, the products can be classified as:

(a) Durable Goods; and

(b) Non-durable Goods.

(a) **Durable Goods**: Durable goods are products which are used for a long period i.e., for months or years together. Examples of such goods are refrigerator, car, washing machine etc. Such goods generally require more of personal selling efforts and have high profit margins. In case of these goods, seller’s reputation and presale and after-sale service are important determinants of purchase decision.

(b) **Non-durable Goods**: Non-durable goods are products that are normally consumed in one go or last for a few uses. Examples of such products are soap, salt, pickles, sauce etc. These items are consumed quickly and we purchase these goods more often. Such items are generally made available by the producer through large number of convenient retail outlets. Profit margins on such items are usually kept low and heavy advertising is done to attract people towards their trial and use.

**Based on tangibility**, the products can be classified as:

(a) Tangible Goods; and

(b) Intangible Goods.
(a) **Tangible Goods:** Most goods, whether these are Customer goods or industrial goods and whether these are durable or non-durable, fall in this category as they have a physical form, that can be touched and seen. Thus, all items like groceries, cars, raw-materials, machinery etc. fall in the category of tangible goods.

(b) **Intangible Goods:** Intangible goods refer to services provided to the individual Customers or to the organisational buyers (industrial, commercial, institutional, government etc.). Services are essentially intangible activities which provide want or need satisfaction. Medical treatment, postal, banking and insurance services etc., all fall in this category.

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**Figure 1.5: Product classification**

The specification of the product is one of the variables that a marketer has at his/her control. For example, the product can include certain colors, certain scents, and certain features. Lastly, in the broadest sense when a Customer purchases a product it also includes the post-sales relationship with the company. The post-sales relationship can include customer service and any warranty.
Product Decisions

a. Specification

Specification is very important in agricultural products. Some markets will not take produce unless it is within their specification. Specifications are often set by the customer, but agents, standard authorities (like the EU or ITC Geneva) and trade associations can be useful sources. Quality requirements often vary considerably. In the Middle East, red apples are preferred over green apples. In one example French red apples, well boxed, are sold at 55 dinars per box, whilst not so attractive Iranian greens are sold for 28 dinars per box. In export the quality standards are set by the importer. In Africa, Maritim (1991). found, generally, that there are no consistent standards for product quality and grading, making it difficult to do international trade regionally.

b. Culture

Product packaging, labeling, physical characteristics and marketing have to adapt to the cultural requirements when necessary. Religion, values, aesthetics, language and material culture all affect production decisions. Effects of culture on production decisions have been dealt with already in chapter three.

c. Physical product

The physical product is made up of a variety of elements. These elements include the physical product and the subjective image of the product. Customers are looking for benefits and these must be conveyed in the total product package. Physical characteristics include range, shape, size, color, quality, quantity and compatibility. Subjective attributes are determined by advertising, self image, labeling and packaging. In manufacturing or selling produce, cognizance has to be taken of cost and country legal requirements.

d. Packaging

Packaging serves many purposes. It protects the product from damage which could be incurred in handling and transportation and also has a promotional aspect. It can be
very expensive. Size, unit type, weight and volume are very important in packaging. For aircraft cargo the package needs to be light but strong, for sea cargo containers are often the best form. The customer may also decide the best form of packaging. In horticultural produce, the developed countries often demand blister packs for mange touts, beans, strawberries and so on, whilst for products like pineapples a sea container may suffice. Costs of packaging have always to be weighed against the advantage gained by it.

Increasingly, environmental aspects are coming into play. Packaging which is non-degradable - plastic, for example - is less in demanded. Bio-degradable, recyclable, reusable packaging is now the order of the day. This can be both expensive and demanding for many developing countries.

e. Labeling

Labeling not only serves to express the contents of the product, but may be promotional. Some countries are now putting very stringent regulations in force on labeling, even to the degree that the pesticides and insecticides used on horticultural produce have to be listed. This could be very demanding for producers, especially small scale, ones where production techniques may not be standardized. Government labeling regulations vary from country to country. Bar codes are not widespread in Africa, but do assist in stock control. Labels may have to be multilingual, especially if the product is a world brand. Translation could be a problem with many words being translated with difficulty. Again labeling is expensive, and in promotion terms non-standard labels are more expensive than standard ones. Requirements for crate labeling, etc. for international transportation will be dealt with later under documentation.

2. PRICE

The price is the amount paid for a product. In some cases, especially in business-to-business marketing this can also include the total cost of ownership (TCO). Total cost of ownership may include costs such as installation and other products required to deliver a complete functional solution.
Price is the amount charged for a product or service. It is the second most important element in the marketing mix. Fixing the price of the product is a tricky job. Many factors like demand for a product, cost involved, Customer’s ability to pay, prices charged by competitors for similar products, government restrictions etc. have to be kept in mind while fixing the price. In fact, pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of the firm.

As stated earlier price is the consideration in terms of money paid by Customers for the bundle of benefits he/she derives by using the product/service. In simple terms, it is the exchange value of goods and services in terms of money. Pricing (determination of price to be charged) is another important element of marketing mix and it plays a crucial role in the success of a product in the market. If the price fixed is high, it is likely to have an adverse effect on the sales volume. If, on the other hand, it is too low, it will adversely affect the profitability. Hence, it has to be fixed after taking various aspects into consideration.

The factors usually taken into account while determining the price of a product can be broadly described as follows:

(a) **Cost:** No business can survive unless it covers its cost of production and distribution. In large number of products, the retail prices are determined by adding a reasonable profit margin to the cost. Higher the cost, higher is likely to be the price, lower the cost lower the price.

(b) **Demand:** Demand also affects the price in a big way. When there is limited supply of a product and the demand is high, people buy even if high prices are charged by the producer. But how high the price would be is dependent upon prospective buyers’ capacity and willingness to pay and their preference for the product. In this context, price elasticity, i.e. responsiveness of demand to changes in price should also be kept in view.

(c) **Competition:** The price charged by the competitor for similar product is an important determinant of price. A marketer would not like to charge a price higher
than the competitor for fear of losing customers. Also, he may avoid charging a price lower than the competitor. Because it may result in price war which we have recently seen in the case of soft drinks, washing powder, mobile phone etc.

(d) **Marketing Objectives:** A firm may have different marketing objectives such as maximization of profit, maximization of sales, bigger market share, survival in the market and so on. The prices have to be determined accordingly. For example, if the objective is to maximize sales or have a bigger market share, a low price will be fixed. Recently one brand of washing powder slashed its prices to half, to grab a bigger share of the market.

(e) **Government Regulation:** Prices of some essential products are regulated by the government under the Essential Commodities Act. For example, prior to liberalization of the economy, cement and steel prices were decided by the government. Hence, it is essential that the existing statutory limits, if any, are also kept in view while determining the prices of products by the producers.

**Pricing Decisions**

Three basic factors determine the boundaries of the pricing decision - the price floor, or minimum price, bounded by product cost, the price ceiling or maximum price, bounded by competition and the market and the optimum price, a function of demand and the cost of supplying the product. In addition, in price setting cognizance must be, taken of government tax policies, resale prices, dumping problems, transportation costs, middlemen and so on. Whilst many agricultural products are at the mercy of the market (price takers) others are not. These include high value added products like ostrich, crocodile products and hardwoods, where demand outstrips supply at present.

In setting prices, it must be made clear what the objectives and policy are. Few organizations can now be pure profit maximisers - there is hardly a sector of industry where competition, or potential competition is not prevalent. Three frequently encountered price polices are market penetration, skimming and holding. A low price (penetration) is a volume policy. A high price (skimming) is used if the product is fairly unique, development costs are high and demand is relatively inelastic. Market
holding is a strategy intended to hold share. Here products are not based on straight exchange rates at current rates but on what the market can bear.

Methods of fixing the price can be broadly divided into the following categories.

a. Cost based pricing
b. Competition based pricing
c. Demand based pricing
d. Objective based pricing

a. Cost Based Pricing

There are basically two types under this heading, the historical accounting cost method and the estimated future cost method. The former includes direct and indirect costs and has the disadvantage of ignoring demand and competitive position in the target market. Estimated cost approaches are based on assumptions of production volume (depending on process) which will be a principal factor determining costs. Again difficulties may lie in trying to estimate production levels. In reality, costs may be a useful starting point but should never be used as a final arbiter.

Under this method, price of the product is fixed by adding the amount of desired profit margin to the cost of the product. If a particular soap costs the marketer Rs. 8 and he desires a profit of 25%, the price of the soap is fixed at Rs 8 + (8x25/100) =Rs. 10. While calculating the price in this way, all costs (variable as well as fixed) incurred in manufacturing the product are taken into consideration.

b. Competition Based Pricing

In case of products where market is highly competitive and there is negligible difference in quality of competing brands, price is usually fixed closer to the price of the competing brands. It is called ‘young rate pricing’ and is a very convenient method because the marketers do not have to worry much about demand and cost and effect the change as per the changes by the industry leaders.

Whilst costs are important they should be looked at alongside the prices of competitive products in the target markets. Once these price levels have been
established the base price, or price that the buyer will pay for the product, can be
determined. This involves four steps:

i) Estimation of demand schedules
ii) Estimation of incremental and full manufacturing and marketing costs to achieve
projected sales volumes
iii) Selection of price which offers the highest contribution
iv) Inclusion of other elements of the marketing mix

These steps are by no means easy. Costs are difficult to assess properly as are
demand conditions.

In products of a raw commodity nature or those traded on the international market
subject to world prices, often the producer has no alternative but to take the going
price - a price governed by competition, especially on the supply side. In Malawi, for
example, although tobacco prices internationally may be encouraging, if too many
farmers grow it, the price will be suppressed for all.

c. Demand Based Pricing

At times, prices are determined by the demand for the product. Under this method,
without paying much attention to cost and competitors prices, the marketers try to
ascertain the demand for the product. If the demand is high they decide to take
advantage and fix a high price. If the demand is low, they fix low prices for their
product. At times they resort to differential prices and charge different prices from
different groups of customers depending upon their perceived values and capacity to
pay. Take the case of cinema halls where the rates of tickets differ for the different
sets of rows in the hall.

d. Objective Based Pricing

This method is applicable to introduction of new (innovative) products. If, at the
introductory stage of the products, the organization wishes to penetrate the market i.e.,
to capture large parts of the market and discourage the prospective competitors to
enter into the fray, it fixes a low price. Alternatively, the organization may decide to
skim the market i.e., to earn high profit by taking advantage of a group of customers
who give more importance to their status or distinction and are willing to pay even a
higher price for it. In such a situation they fix quite high price at the introductory stage of their product and market it to only those customers who can afford it.

e. Transfer pricing

Transfer pricing is more appropriate to those organizations with decentralized profit centers. Transfer pricing is used to motivate profit centre managers, provide divisional flexibility and also further corporate profit goals. Across national boundaries the system gets complicated by taxes, joint ventures, attitudes of governments and so on. There are four basic approaches to transfer pricing.

· **Transfer at cost**: Few marketers practise this, which recognizes foreign affiliates contribute to profitability by operating domestic scale economies. Prices may be unrealistic so this method is seldom used.

· **Transfer at direct cost plus overheads and margin**: Similar to transfer at cost.

· **Transfer at a price derived from end market prices**: very useful strategy in which market based transfer prices and foreign sourcing are used as devices to enter markets too small for supporting local manufacturers. This gives a valuable foothold.

· **Transfer at an "arm's length"**: this is the price that would have been reached by unrelated parties in a similar transaction. The problem is identifying a point "arm's length" price for all products other than commodities. Pricing at "arm's length" for differentiated products, results not in a specific price but prices which fall in a predeterminable range.

Many governments see transfer pricing as a tax evasion policy and have, in recent years, looked more closely at company returns. Rates of duty encourage the size of the transfer price: the higher the duty rate the more desirable a lower transfer price. A low income tax creates a pressure to raise the transfer price to locate income in the low tax setting. Harmonization of tax rates worldwide may make the intricacies of transfer pricing obsolete.
Government controls, like cash deposits on importers, give an incentive to minimize the price of the imported item. Profit transfer rules may apply which restrict the amount of profit transferred out of the country. Other controls look at monopoly pricing like the case of the British Government against Hoffman-La Roche, forcing the price of its tranquilizers downwards.

3. PLACE (DISTRIBUTION)

Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It can include any physical store as well as virtual stores on the Internet. Distribution is about getting the products to the customer.

Goods are produced to be sold to the Customers. They must be made available to the Customers at a place where they can conveniently make purchase. So, it is necessary that the product is available at shops in your town. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm’s distribution network (also called a channel of distribution). The organisation has to decide whether to sell directly to the retailer or through the distributors/wholesaler etc. It can even plan to sell it directly to Customers.

A place or distribution channel is a way of transporting the product to the customer and the level of accessibility of the product to customers. This element of marketing mix is like the vehicle for the other elements of marketing (product, price, and promotion). Without place, the customer will not have access to products. Distribution channels can be defined as “a path through which goods and services flow in one direction (from vendor to the Customer) and the payments generated by them that flow in the opposite direction (from Customer to the vendor)”.

A channel of distribution thus, refers to the pathway used by the manufacturer for transfer of the ownership of goods and its physical transfer to the Customers and the user/buyers (industrial buyers).
Stanton has also defined it as “A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate Customer or business user”. Basically it refers to the vital links connecting the manufacturers and producers and the ultimate Customers/users. It includes both the producer and the end user and also the middlemen/agents engaged in the process of transfer of title of goods.

Primarily a channel of distribution performs the following functions:

(a) It helps in establishing a regular contact with the customers and provides them the necessary information relating to the goods.

(b) It provides the facility for inspection of goods by the Customers at convenient points to make their choice.

(c) It facilitates the transfer of ownership as well as the delivery of goods.

(d) It helps in financing by giving credit facility.

(e) It assists the provision of after sales services, if necessary.

(f) It assumes all risks connected with the carrying out the distribution function.

Generally we do not buy goods directly from the producers. The producers/manufacturers usually use services of one or more middlemen to supply their goods to the Customers. But sometimes, they do have direct contact with the customers with no middlemen in between them. This is true more for industrial goods where the customers are highly knowledgeable and their individual purchases are large. The various channels used for distribution of Customer goods can be described as follows:

(a) Zero stage channel of distribution

Figure 1.6: Zero stage channel of distribution
Zero stage distribution channel exists where there is direct sale of goods by the producer to the Customer. This direct contact with the Customer can be made through door-to-door salesmen, own retail outlets or even through direct mail. Also in case of perishable products and certain technical household products, door-to-door sale is an easier way of convincing Customer to make a purchase. Eureka Forbes, for example, sells its water purifiers directly through their own sales staff.

(b) One stage channel of distribution

![Figure 1.7: One stage channel of distribution](image)

In this case, there is one middleman i.e., the retailer. The manufacturers sell their goods to retailers who in turn sell it to the Customers. This type of distribution channel is preferred by manufacturers of Customer durables like refrigerator, air conditioner, washing machine, etc. where individual purchase involves large amount. It is also used for distribution through large scale retailers such as departmental stores (Big Bazaar, Spensors) and super markets

(c) Two stage channel of distribution

![Figure 1.8: Two stage channel of distribution](image)
This is the most commonly used channel of distribution for the sale of Customer goods. In this case, there are two middlemen used, namely, wholesaler and retailer. This is applicable to products where markets are spread over a large area, value of individual purchase is small and the frequency of purchase is high.

(d) Three stage channel of distribution

![Figure 1.9: Three stage channel of distribution](image)

When the number of wholesalers used is large and they are scattered throughout the country, the manufacturers often use the services of mercantile agents who act as a link between the producer and the wholesaler. They are also known as distributors.

There are some basic channel decisions that a marketer must make before venturing to make the products accessible to the customers. These decisions are direct or indirect, single or multiple, cumulative length of the multiple channels, types of intermediary and the number of intermediaries at each level. A channel is said to be direct when the distribution is from the company to the customer and the payment is paid directly to the company. When a channel is indirect, the company sends the products to a distribution centre and the distribution centre distributes to their major distributors and each distributor will send the products to retailers which will be made accessible to the local or global customers depending on how big the company is. The two types of distribution channels discussed above are for physical and tangible products. For services, a service channel will ensure the accessibility of the services to customers.

In conclusion, distribution channels are very important for customer satisfaction and retention as it is the vehicle that connects the products and services from the producer to the customers. However, ethically, the principles of Islamic marketing discourage
anything that will bring discomfort for customers and in terms of distributing products to customers, it ought to create value and improve the standard of living of the people. All the elements of marketing mix are inter-related; thus, when the product produced is not Halal or ethically unfit for consumption or use, it must not be distributed to customers. If the product is Halal but priced too high for customers to buy, it must not be distributed for sale. In addition, if the product is full of deceit (promoted wrongly), it does not uplift the moral standard, and as such, it should not be distributed to customers.

Choice of an appropriate distribution channel is very important as the pricing as well as promotion strategy are dependent upon the distribution channel selected. Not only that, the route which the product follows in its journey from the manufacturer to the Customer also involves certain costs. This in turn, affects not only the price of the product but also the profits. Choice of inappropriate channels of distribution may result in lesser profits for the manufacturer and higher price from the Customer. Hence, the manufacturer has to be careful while finalizing the channel of distribution to be used. He should pay attention to the following factors while making his choice.

(a) **Nature of Market**: There are many aspects of market which determine the choice of channel of distribution. Say for example, where the number of buyers is limited, they are concentrated at few locations and their individual purchases are large as is the case with industrial buyers, direct sale may be the most preferred choice. But in case where number of buyers is large with small individual purchase and they are scattered, then need may arise for use of middlemen.

(b) **Nature of Product**: Nature of the product considerably affects the choice of channel of distribution. In case the product is of technical nature involving a good amount of pre-sale and after sale services, the sale is generally done through retailers without involving the wholesalers. But in most of the customer goods, having small value, bought frequently in small quantities, a long channel involving agents, wholesalers and retailers are used as the goods need to be stored at convenient locations. Items like toiletries, groceries, etc. fall in this category. As against this in case of items like industrial machinery, having large value and involving specialized technical service and long negotiation period, direct sale is preferred.
(c) **Nature of the Company:** A firm having enough financial resources can afford to its own a distribution force and retail outlet, both. But most business firms prefer not to create their own distribution channel and concentrate on manufacturing. The firms who wish to control the distribution network prefer a shorter channel.

(d) **Middlemen Consideration:** If right kind of middlemen having the necessary experience, contacts, financial strength and integrity are available, their use is preferred as they can ensure success of newly introduced products. Cost factors also have to be kept in view as all middlemen add their own margin of profit to the price of the products. But from experience it is learnt that where the volume of sales are adequate, the use of middlemen is often found economical and less cumbersome as against direct sale.

In many countries there is a move to vertical or horizontal integration within channels, especially in developed countries where large chains dominate, as in the UK food retail trade. The converse is the scenario in many less developed countries. Also there can be very thriving parallel market systems, often difficult to track down. Decisions on what channels and entry strategy to adopt depend heavily on the risks, availability and costs of channels.

Most developing countries rely heavily on agents in distributing their products. Whilst criticism of being "ripped off" is often made, the loss caused by the shrinkage is less than that associated with more sophisticated channel forms.

**Brokers**

Brokers do not take title to the goods traded but link suppliers and customers. They are commonly found in international markets and especially agricultural markets. Brokers have many advantages, not least of which is they can be less costly overall for suppliers and customers.

- They are better informed by buyers and or sellers.
- They are skilled socially to bargain and forge links between buyers and sellers.
They bring the "personal touch" to parties who may not communicate with each other.

They bring economies of scale by accumulating small suppliers and selling to many other parties.

They stabilise market conditions for a supplier or buyer faced with many outlets and supply sources.

Personalised trading networks

Frequently, relationships may be built up between a buyer and a seller, in which over time as confidence grows, unwritten and informal understandings develop. These relationships reduce information, bargaining, monitoring and enforcement costs. Often, as relationships build, then trust develops which may become proxy for laws. Flexibility ensues which often means priorities or "favours" can be expedited. Trust and reciprocity can enable trade to develop in unstable economic circumstances, but both parties are aware the relationship can be undermined through opportunistic behaviour. The Kenyan fresh vegetable industry is a classic example of personalised trading networks enabling international trade between Kenya suppliers and their familial (often Asian) buyers in the United Kingdom.

4. PROMOTION

In the context of the marketing mix, promotion represents the various aspects of marketing communication, that is, the communication of information about the product with the goal of generating a positive customer response. Promotion represents all of the communications that a marketer may insert into the marketplace. This can include TV, radio, and print advertising, as well as coupons, direct mail, billboards, and online advertising. One of the less well-defined areas in promotion is the role of a human sales force. On the other hand, Customers may rather purchase the product only when sold through the support of a known salesperson. In this case, the service, perceived or real can be defined as a feature of the product.

Products or services will not sell unless people are told about them. It is true that few companies from developing countries are global in operation, so much of the
promotion process is limited to either third party advertising (for example the Dutch advertising Kenya grown flowers) or taking part in international exhibitions (for example the Zimbabwe International Trade Fair in Bulawayo). As many primary products of developing countries become the end products of developed countries, most promotion is limited to mentions of origin in developed country promotion. Nonetheless, the rules still apply for effective promotion, whether it is of limited or more extensive nature.

Most basic marketing textbooks cover the "ground" rules for effective advertising and promotion and so the reader is referred to these rather than repeat these again here. It is usual to distinguish between "advertising " and "promotion". Advertising is defined as:

"Any form of communication in the paid media".

Promotion, on the other hand, is defined as:

"An incentive, usually at the point of sale, intended to enhance the intrinsic value of a product or service".

Other expressions in common use are "above the line" and "below the line", the line being an imaginary one, defining the boundary between promotion from the retailer to Customer and the other from manufacturer to retailer.

If the product is manufactured keeping the Customer needs in mind, is rightly priced and made available at outlets convenient to them but the Customer is not made aware about its price, features, availability etc, its marketing effort may not be successful. Therefore promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a Customer to make choice of the product to be bought. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective Customers about the availability, characteristics and uses of a product. It arouses potential Customer’s interest in the product, compare it with competitors’ product and make his choice. The proliferation of print and electronic media has immensely helped the process of promotion.
According to the definition of the Chartered Institute of Marketing (2004), ‘promotional mix’ is “a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers”. Thus, promotional mix is said to include tools such as advertising, public relations, sales promotion, direct marketing, and personal selling. Businesses need to inform customers of the products and services they provide in order to facilitate the firm’s survival in the very competitive business environment. In addition, “effective communication with your customers is vital to ensure that your business generates sales and profits”. This latter part of the explanation given by the Chartered Institute of Marketing (CIM) is where promotion in Islamic marketing would beg to differ, since generating sales and profits is not the main objective or goal of businesses implementing Islamic marketing. Promotional mix activities can be beneficial in terms of social and economic progression by encouraging “healthy competition”, however from the lens of an Islamic marketer, these activities should not encourage wasting or overspending of resources (Abdullah & Ahmad, 2010).

Generally advertising is used primarily for low cost, mass volume Customer products. Products like fertilizers, canned and fresh produce and tobacco - all products which are used by end Customers - are the subject of heavy promotion. In intermediate products like timber, leather and cotton the advertising may be more limited in nature due to the fewer end purchasers of the raw material. Until recently, per capita GNP and advertising were directly correlated, due to the more widespread availability of media and higher incomes, giving a larger potential market for products. This is no longer the case. Optimal levels of advertising occur where the advertising/sales overseas effect is equal to the marginal advertising expenditure. The problem is in estimating the levels of each.

Language differences may mean that straight translation is not enough when it comes to message design. Advertising may also play different roles within developed, between developed and underdeveloped and within underdeveloped countries. In developing countries "education" and "information" may be paramount objectives. In developed countries, the objectives may be more persuasive.
Cultural differences may account for the greatest challenge. However, many, notably Elinder (1961)\(^1\) challenged the need to adapt messages and images, as he argued that customer differences between countries are diminishing. Changes may be needed only in translation. However, this is only one point of view, as there is no doubt that cultural differences do exist across the world. For example, it would be quite unacceptable to have swimsuited ladies advertising sun care products in Moslem countries.

The main objective of promotion is to seek buyers’ attention towards the product with a view to:

– arouse his interest in the product;
– inform him about its availability; and
– inform him as to how it is different from others.

It is thus a persuasive communication and also serves as a reminder. A firm uses different tools for its promotional activities which are as follows:

– Advertising
  – Publicity
  – Personal selling
  – Sales promotion

These are also termed as four elements of a promotion mix. Let us have a brief idea about these promotion tools.

1. Advertising: Advertising is the most commonly used tool for informing the present and prospective Customers about the product, its quality, features, availability, etc. It is a paid form of non-personal communication through different media about a product, idea, a service or an organisation by an identified sponsor. It can be done through print media like newspaper, magazines, billboards, electronic media like radio, television, etc. It is a very flexible and comparatively low cost tool of promotion.
2. Publicity: This is a non-paid process of generating wide range of communication to contribute a favourable attitude towards the product and the organisation. You may have seen articles in newspapers about an organisation, its products and policies. The other tools of publicity are press conference, publication and news in the electronic media etc. It is published or broadcasted without charging any money from the firm. Marketers often spend a lot of time and effort in getting news items placed in the media for creation of a favourable image of the company and its products.

3. Personal selling: You must have come across representatives of different companies knocking at your door and persuading you to buy their product. It is a direct presentation of the product to the Customers or prospective buyers. It refers to the use of salespersons to persuade the buyers to act favorably and buy the product. It is most effective promotional tool in case of industrial goods.

4. Sales promotion: This refers to short-term and temporary incentives to purchase or induce trials of new goods. The tool include contests, games, gifts, trade shows, discounts, etc. Sales promotional activities are often carried out at retail levels.

<table>
<thead>
<tr>
<th>Types of Promotion</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Advertising</td>
<td>Communication through mass media, the firm will usually pay for this type of communication.</td>
</tr>
<tr>
<td>Public Relations</td>
<td>Developing a positive relationship between the organisation and the media and the public. Good public relationships involves not only creating favourable publicity through the media but also involves minimising the impact of negative situations.</td>
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<tr>
<td>Sales Promotion</td>
<td>Promotions designed to create a short term increase in sales. Examples of sales promotion include money off coupons, discount codes and &quot;flash sales&quot;.</td>
</tr>
<tr>
<td>Personal Selling</td>
<td>Sales interaction between the firm's representative and a Customer on a one to one basis.</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>This involves sending marketing to a named individual or</td>
</tr>
<tr>
<td>Types of Promotion</td>
<td>Explanation</td>
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<tr>
<td>(post and e-mail)</td>
<td>organisation. Firms often buy lists of names, e-mails and postal addresses for this purpose. This can be highly effective when the direct mail recipients are within the firm's target market.</td>
</tr>
<tr>
<td>Internet Marketing</td>
<td>Placing adverts on internet pages through programmes such as Google's AdWords.</td>
</tr>
<tr>
<td>Social Media</td>
<td>Firms place daily messages on social media such as Facebook and Twitter to keep customers interested in their organisation. They may even run promotions, flash sales and discounts just for their social media readers.</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>An organisation or event is paid to use your branding and logos. Sponsorship is commonly used in sporting events; player's clothing and stadiums will be covered in the firm's branding and even the tournament may be named after the firm. Although effective sponsorship requires a large audience you may get smaller firms interested in local business sponsoring small events in their area e.g. school fairs.</td>
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Arham (2010) mentioned that customer satisfaction is arguably the “key towards sustainable business development”. He also added that from learning how the Prophet (SWS) conducted his selling techniques, such as not concealing anything from his buyers, it can be concluded that Islam regards customer satisfaction highly (Arham, 2010). Being able to deliver promises made during promotion, whether it is through direct selling, advertising, sales promotion, or any of the methods, is very important. Not being able to deliver promises made would decrease customer satisfaction on one’s business. Providing customers with honesty, transparency, truthfulness, sincerity and all the Islamic ethical values encompassed in the promotional techniques, would definitely increase customer satisfaction, which would most likely enhance customer loyalty. Thus implementing Islamic marketing in one’s promotional activities can serve as a competitive advantage for one’s firm, as opposed to the widely practiced conventional methods of promotion where various ethical aspects are questionable.
Steps in promotion campaign management

a. Setting Objectives

Advertising must only be undertaken for a specific purpose(s) and this purpose must be translated into objectives. Whilst difficult to directly attribute to advertising, persuasive advertising's ultimate objective is to obtain sales. Other objectives include building a favourable image, information giving, stimulating distributors or building confidence in a product. Whatever objective(s) are pursued, these must be related to the product life cycle and the stage the product is in.

b. Budgets

Budgets can be set in a variety of ways. Many budgets use a percentage of past or future sales, objective and task methods, or rule of thumb. "Scientific" methods include sales response methods and linear programming.

c. Agency

Agencies can be used or not depending on the organisation's own abilities, confidence in the market and market coverage. Many organisations, like Lintas and Interpublic, are worldwide and offer a wide range of expertise.

d. Message selection

Message selection is probably where the most care has to be taken. Decisions hinge on the standardisation or adaptation of message decision, language nuances and the development of global segments and customers. Message design has three elements, illustration, layout and copy. Advertising appeals should be consistent with tastes, wants and attitudes in the market. Coke and Pepsi have found universal appeal. With the "postmodern age" now affecting marketing, message design is becoming particularly crucial. It is not just a question of selling, but of crafting images. It is often the image, not the product, which is commercialised. Products do not project images, products fill the images which the communication campaign projects.
e. Media selection

There is a great difference in variety and availability of media across the world. The choice of media depends on its cost, coverage, availability, character (national or local or international) and its "atmosphere", for example in Zimbabwe posters versus adverts in the Financial Gazette.

In advertising the choice is television, radio, press, magazines, cinema, posters, direct mail, transport and video promotion. In promotion the choice is wide between money-off offers, discounts, extra quantities, and so on. Other forms of promotion include exhibitions, trade missions, public relations, selling, packaging, branding and sponsored events. Governments can be a very powerful promotion source, both by providing organisations like Horticultural Promotion Councils and by giving information and finance. Trade Fairs are popular both as a "flag flyer", and as a product display and competitive information gathering facility. There are over 600 trade fairs worldwide; These include the Hanover Fair, Germany, the Royal Agricultural Show, UK for machinery and the Zimbabwe International Trade Fair for agricultural produce and other things in general. The criterion for participating in fairs is always cost versus effectiveness.

f. Campaign scheduling

Scheduling international campaigns is difficult, especially if handled alone rather than with an agency or third party. Scheduling decisions involve decisions on when to break the campaign, the use of media solely or in combination, and the specific dates and times for advertisements to appear in the media.

g. Evaluation

Advertising campaign evaluation is not very easy at the best of times. Whilst it would be nice to say that "X" sales had resulted from "Y" advertising inputs, too many intervening factors make the simple tie-up difficult. Evaluation takes place at two levels - the effectiveness of the message and the effectiveness of the media. Few African developing countries, except Kenya, have any sophisticated methods for
campaign evaluation. Measures include message recall tests, diary completion, and brand recall.

**h. Organisation and control**

Whilst companies like Nestle may have centrally organised and controlled advertising campaigns, many are devolved to local subsidiaries or agencies. The degree of autonomy afforded to local subsidiaries depends on the philosophy of the organisation and the relative knowledge of the local market by the principal.

Whilst truly global advertising, or even regional advertising, is a phenomenon not normally associated with African countries, as time goes by it may be. Unfortunately few countries see or use the overseas media to advantage. For developing countries, trade missions can be very useful for promotion. This is a relatively cheap but effective medium. Few countries activate their overseas embassies sufficiently to generate possible trade. If, however, it is done, the foregoing sections have to be considered carefully in order that possible mistakes are avoided.

No product or service will sell unless it is promoted. Whilst many commodities from developing countries end up as ingredients in downstream industries, which themselves may promote their brand, many suffer from the lack of a reputation. As with product choice, promotion decisions are subject to the "standardisation" versus "adaptation" argument, depending on the similarities and differences between product and markets. When the appropriate strategy is chosen then decisions have to be made on the promotional campaign objectives, budget, message and media selection, scheduling and evaluation. As with global intelligence gathering, promotion campaigns can be subject to all sorts of distortion or "noise". These are mainly related to cultural differences but could also be caused by physical problems including lack of media availability and skilled personnel.

**4Cs of Marketing Mix**

There is an alternative marketing mix or we can better say that a modern updated version of the 4p’s. The 4c’s of marketing. The 4Cs (Customer/Customer value, Cost, Convenience, and Communication) enables you to think in terms of your customers’
interests more than the marketer’s. From being business-oriented, it becomes customer-centric.

**Customer** – The principle of four C’s of marketing states that your customer should be your prime focus. Unlike the traditional marketing mix where the primary focus is on Products, in the 4 C’s model, the primary focus is on the customer. Thus the companies which follow this model believe in making products which satisfy their customers.

**Cost** – Cost is equivalent to Pricing in the traditional marketing mix. Cost is a very important consideration during Customer decision making and hence in the 4 C’s principle, the cost variable is given special attention. The 4 C’s model generally plans on the basis of Customers and not products. And hence they have to plan the cost of the product on the basis of their customer.

**Communication** – The concept of communication remains same for both, the traditional marketing mix as well as for the 4 C’s of marketing. Off course, the marketing communications for a company following the 4 C’s of marketing is completely different as it needs a completely different Segmentation, targeting and positioning.

**Convenience** – Convenience is equivalent of distribution or placement of the traditional marketing mix. When you have a niche customer base, the convenience of the customer in acquiring your product plays a critical role.

### 1.2.2 CUSTOMER PERCEPTION AND SATISFACTION

Perception is way that one selects, organizes and interprets the stimuli into meaningful and coherent picture of the world. **Customer perception** refers to the process by which a customer selects, organizes, and interprets information/stimuli inputs to create a meaningful picture of the brand or the product. It is a three stage process that translates raw stimuli into meaningful information. Customer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the Customers in the marketplace and the underlying motives for those actions. Behaviour is what results from the perceptions, the way a Customer responds
to the stimuli. Customer Behaviour is a branch which deals with the various stages a Customer goes through before purchasing products or services for his end use.

In simpler terms, it is how a customer see's a particular brand with whatever he or she has been able to understand by watching the products, its promotions, feedback etc. It is the image of that particular brand in the mind of the customer. According to the **Customer Perception Theory**, a Customer’s perception of a product or service influences their behavior. Those who study Customer perception try to understand why Customers make the decisions they do, and how to influence these decisions. Usually, Customer perception theory is used by marketers when designing a campaign for a product or brand.

**Customer satisfaction** is a perception. It is also a question of degree. Providing quality products and services is all about meeting customer requirements. Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. The four key steps for successful marketing are identified as understanding the customer, making value for customer, communicating the value to target market, and making it easy for the customer to buy.

From the perspective of both manufacturer and retailer, customer satisfaction is vital because it makes several desirable outcomes and effects in future purchase intention. However there is no single definition exists on satisfaction in marketing literature. Satisfying customers is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Management and marketing theorists underscore the importance of customer satisfaction for a business’s success.

There is growing managerial interest in customer satisfaction as a means of evaluating quality. High customer satisfaction ratings are widely believed to be the best indicator of a company's future profits (Kotler 1991, p. 19). Firms increasingly use customer
satisfaction as a criterion for diagnosing product or service performance and often tie customer satisfaction ratings to both executive and employee compensation. However, providing incentives to maximize customer satisfaction may actually be detrimental to the firm. To encourage actions which will lead to an optimal level of satisfaction, it is necessary to understand the link between the antecedents of satisfaction and satisfaction's behavioral and economic consequences.

![Satisfaction Framework](image)

Figure 1.10: Satisfaction Framework

Satisfaction can be broadly characterized as a postpurchase evaluation of product quality given prepurchase expectations (Kotler 1991). Yi (1991) provides an excellent review of customer satisfaction and the main antecedents identified by Customer research: expectations, perceived quality, and disconfirmation. Beginning with Oliver (1977, 1980), research concerned with the antecedents of satisfaction focuses primarily on the expectancy-disconfirmation paradigm illustrated in Figure 1.7. Drawing on adaptation level theory (Helson 1964), Oliver (1980) posits expectations as an adapted standard which provide a frame of reference for buyers' evaluative judgements. Accordingly, satisfaction judgements are a function of the baseline effect of expectations plus any perceived disconfirmation of expectations. Oliver (1980) describes the process by which satisfaction judgements are reached in the expectancy-disconfirmation framework. First, buyers form expectations of the specific product or service prior to purchase. Second, consumption reveals a perceived quality level
which is influenced by expectations if the difference between actual quality and expectations is perceived as being small.

Oliver (1980) recognized that satisfaction is a psychological state that a customer experiences after consumption. Oliver (1981) introduced the expectancy-disconfirmation model for studying customer satisfaction in retail and service sector. Customer satisfaction is considered to be a predictor of customer loyalty. During the last few decades, service quality has become a major area of consideration among researchers and practitioners in the retail sector. Swartz and Brown (1989) drew some dissimilarity between different views on service quality, drawing from the work of Grönroos (1983) and Lehtinen and Lehtinen (1982) concerning the dimensions of service quality.

Taylor and Baker (1994) assessed the relationship between service quality and customer satisfaction in the formation of customer purchase intentions across four unique service industries. The results of the research, coupled with the weight of the evidence in the emerging services literature, suggested that customer satisfaction was best described as moderating the service quality/purchase intention relationship. From the findings, they strongly advocated the position that customer satisfaction and service quality were separate and distinct.

Anderson, Fornell and Lehmann (1994) investigated the nature and strength of the link between customer satisfaction and economic returns, in the study on Customer Satisfaction, Market Share, and Profitability: Findings from Sweden suggest that how expectations, quality, and price should affect customer satisfaction and why customer satisfaction, in turn, should affect profitability; these results in a set of hypotheses that are tested using a national customer satisfaction index and traditional accounting measures of economic returns, such as return on investment. The findings supported a positive impact of quality on customer satisfaction, and, in turn, profitability. The authors demonstrated the economic benefits of increasing customer satisfaction using both an empirical forecast and a new analytical model. In addition, they discussed why increasing market share actually might lead to lower customer satisfaction and provided preliminary empirical support for this hypothesis. Finally, they emerged with two findings: First, the market's expectations of the quality of firms output
positively affect customer overall satisfaction with the firm; and second, these expectations are largely rational, albeit with a small adaptive component. Furthermore, these investigators revealed that customer satisfaction is considered to be based upon value; therefore it is closely related to price, unlike service quality that is not related to price.

Taylor (1997) examined the quest for a better understanding of how Customers' quality perceptions and satisfaction judgements contributed to ultimate purchase intentions continued to represent one of the key challenges facing service marketers. Using regression models the traditional approach was to employ direct measures of these constructs to identify the additive contributions of quality perceptions and satisfaction judgments as independent variables to Customers' stated future purchase intentions as a dependent variable. The study demonstrated that unobserved potential higher-order factors (and their interactions) in such efforts can lead to problems associated with interpreting regression coefficients as importance weights. A framework was proposed and empirically validated in a multi-industry study, to assist service marketers in identifying potential higher-order factors and their interactions in their own models of Customer decision-making in service settings, illustrated customer satisfaction and service quality as predictive indicators of customer loyalty.

Churchill and Suprenant (1982) investigated whether it was necessary to include disconfirmation as an intervening variable affecting satisfaction as was commonly argued, or whether the effect of disconfirmation was adequately captured by expectation and perceived performance. Further, they modeled the process for two types of products, a durable and a nondurable good, using experimental procedures in which three levels of expectations and three levels of performance are manipulated for each product in a factorial design. Each subject's perceived expectations, performance evaluations, disconfirmation, and satisfaction are subsequently measured by using multiple measures for each construct. The results suggested the effects are different for the two products. For the nondurable good, the relationships are as typically hypothesized. The results for the durable good are different in important respects. First, neither the disconfirmation experience nor subjects' initial expectations affected subjects' satisfaction with it. Rather, their satisfaction was determined solely by the performance of the durable good. Expectations did combine with performance to
affect disconfirmation, though the magnitude of the disconfirmation experience did not translate into an impact on satisfaction. Finally, the direct performance-satisfaction link accounts for most of the variation in satisfaction. It is worthwhile to denote that the critics of these investigators on SERVQUAL acknowledge its usefulness in providing a reasonably reliable device for customer satisfaction measurements.

The concept of customer satisfaction is composed of several components from distinct sources (McColl-Kennedy & Schneider, 2006). Customer satisfaction begins with clear, operational definitions from both the customer and the organization. Understanding the motivations, expectations, and desires of both gives a foundation in how to best serve the customer. It may even provide information on making improvements in the nature of business. This is the heart of research into customer satisfaction (Naylor & Greco, 2002). The importance of clearly defining the key concepts and elements of satisfaction provide a template by which information can be gathered about what is, and what is not, working. This includes both the hard measures – those that are more tangible and observable (i.e., number of complaints, average wait time, product returns, etc) and the soft measures – those less tangible aspects (i.e., friendliness, helpfulness, politeness, etc) (Hayes, 1998). These definitions often start with the most vague and general, and become more to the highly specified and precise examples.

The bottom line is that in order to know about customer satisfaction, one needs to know what to look for (Mitchell, 1999). The organization needs to seek this information from both within and without. The organizational requirements of customer satisfaction are the internally based processes, components, standards, and criteria that a business strives to achieve. These are the performance goals and benchmarks set forth by the business, for the business. These are the elements of corporate culture (Hayes, 1998). Meeting or exceeding these is often an indicator of success or failure. At times, these indigenous components of customer satisfaction may overlap with those set forth by the customer; at others they may be divergent. Those processes, components, and standards that are deemed important by the customer are another important source of information. In order for a business to meet the needs and desires of the customer, the business must know the needs and desires
of the customer. This information is vital not only for successful business, but also for understanding and improving customer satisfaction. This important component helps to set the standards and components of satisfaction from the perspective of the Customer (Hayes, 1998).

Satisfaction dimensions are developed from the previously identified requirements. These are the specific components that make up the requirements. For example, if a customer and organizational requirement is for customer service, the satisfaction dimensions may include interactions, timeliness, and responsiveness. These are the clusters that define the requirements (Hayes, 1998). Critical incidents are the specific operations that relate to the satisfaction dimensions. These are often the concrete and measurable behaviours and actions of employees, groups, or organization. This may also include policies, procedures, and protocols in place within an organization (Hayes, 1998). From this continued definition and distillation of various sources of data, the actual development of a customer satisfaction instrument or tool can begin in earnest. As always, the planning of the research is the most important component in a successful information-gathering process. It is further helpful that a model of customer satisfaction that incorporates the organizational and customer requirements exists and is applicable in practice.

Ažman and Gomišček (2014) argued that perceived quality of services and customer satisfaction is a concept that is increasingly important because of its impact on customer loyalty and other effects on the performance of a company. There is growing evidence that the links between quality of services, customer satisfaction and customer loyalty might be non-linear. However, there is no consensus about the actual functional form, since individual studies have discovered linear as well as concave, convex, S-shaped and inversed S-shaped relationships. Inconsistent results of previous studies suggest that different functional forms might be typical for different industries. The aim of this study was to examine the functional forms typical for the vehicle maintenance and repair industry, based on 34,421 computer-aided telephone interviews with customers of Slovenian automotive servicing companies performed between 2005 and 2011. For each of the connections between the constructs under consideration, we used linear and several non-linear regression models with the curve fit procedure in SPSS. The obtained results suggest that in describing the relationship
between perceived quality of services and customer satisfaction, the non-linear functional model only slightly outperformed the linear one in terms of explained variance of data ($R^2$). The relationship between customer satisfaction and customer loyalty on the other hand could clearly be best described using a non-linear model. Using the non-linear model that produced a concave functional form enabled us to achieve 41–47% better explanatory power compared to the linear model.

They examine the relationship between service quality and customer satisfaction has received considerable academic attention in the past few years. But the nature of the exact relationship between service quality and customer satisfaction (especially in the way the two constructs have been operationalized) is still shrouded with uncertainty. Many researchers have operationalized customer satisfaction by using a single item scale and many others have used multiple item scales. Their study adopts a different approach and views customer satisfaction as a multi dimensional construct just as service quality, but argues that customer satisfaction should be operationalized along the same factors (and the corresponding items) on which service quality is operationalized. Based on this approach, the link between service quality and customer satisfaction has been investigated. The results have indicated that the two constructs are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

Dabholkar et al. (1996) replicated their own study and found all the RSQS dimensions and sub-dimensions to be valid in the U.S. Melckman, J (2004) found the RSQS scale was superior within the context of a ‘more goods and less services’ environment, i.e. a supermarket, while SERVPERF was better for a retailing context where the service element becomes more important, i.e. an electronic goods retailer. Kim and Jin (2002) report the RSQS a useful scale for measuring service quality of discount stores across two different cultural contexts of U.S. and South Korea, though they did not find distinct personal interaction and problem solving dimensions or support for a distinct policy dimension.

Boshoff and Terblanche (1997). in a replication of the Dabholkar et al., (1996) study, report highly encouraging results for the RSQS applicability in the context of department stores, specialty stores and hypermarkets in South Africa. However, the
applicability of the RSQS or other scales has never been tested in the context of transition economies. During the past few decades service quality has become a major area of attention to practitioners, managers and researchers owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty and profitability. There has been a continued research on the definition, modelling, measurement, data collection procedure, data analysis etc., issues of service quality, leading to development of sound base for the researcher.

Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers perceive good service, each will typically tell nine to ten people. It is estimated that nearly one half of American business is built upon this informal, “word-of-mouth” communication (Gitomer, 1998). Improvement in customer retention by even a few percentage points can increase profits by 25 percent or more. The University of Michigan found that for every percentage increase in customer satisfaction, there is an average increase of 2.37% of return on investment (Keiningham & Vavra, 2001). Most people prize the businesses that treat them the way they like to be treated; they’ll even pay more for this service. However, a lack of customer satisfaction has an even larger effect on the bottom line. Customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others.

The average American company typically loses between 15 and 20 percent of its customers each year (Griffin, 1995). The cost of gaining a new customer is ten times greater than the cost of keeping a satisfied customer (Gitomer, 1998). In addition, if the service is particularly poor, 91% of retail customers will not return to the store (Gitomer, 1998). In fact, if the service incident is so negative, the negative effects can last years through repeated recollection and recounting of the negative experience (Gitomer, 1998; Reck, 1991). The message is obvious - satisfied customers improve business and dissatisfied customers impair business. Customer satisfaction is an asset that should be monitored and managed just like any physical asset. Therefore, businesses that hope to prosper will realize the importance of this concept, putting together a functional and appropriate operational definition (McColl-Kennedy & Schneider, 2000). This is true for both service-oriented and product-oriented organizations (Sureshchander, Rajendran, & Kamalanabhan, 2002). The primary issue
with developing an operational definition with the specific components of customer satisfaction is to clearly identify the nature of the organization’s business.

This further extends into the effective collection, analysis, and application of customer satisfaction information. Services and products are the two major orientations of business. Products – also referred to as goods, are the physical output of a business. These are tangible objects that exist in time and space. These are first created, then inventoried and sold. It is after purchase that these are actually consumed (Sureshchander, Rajendran, & Kamalanabhan, 2002). Products might include computers, automobiles, or food at a restaurant. Services, on the other hand, are less materially based. In fact, Bateson (cited in Sureshchander, Rajendran, & Kamalanabhan, 2002) noted that there is one major distinction between a service and a product. This differentiation is the intangible nature of a service – it cannot be touched, held, and so on. Another difference is the issue that consist primarily of social interactions or actions. The consumption of a service involves the interaction between the producer and the Customer. Also, services are produced and consumed simultaneously. Services might include computer repair, automobile sales, or the attendance of a server at a restaurant. Delivering quality service is a business necessity.

**Measuring Customer Satisfaction**

Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace.

Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization’s products. Because satisfaction is basically a
psychological state, care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed.

Work done by Berry, Brodeur between 1990 and 1998 defined ten 'Quality Values' which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.

Work done by Parasuraman, Zeithaml and Berry between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation. According to Garbrand, customer satisfaction equals perception of performance divided by expectation of performance. The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale.

**1.3 PERCEPTION TOWARDS MARKETING MIX**

The main pivot of the study is perception, that of dealers and buyers and the elements of the marketing mix (4ps and 4cs) and how these come into play in the city of Udaipur.

**1.3.1. Customer Perception for Marketing Mix**

Vitthal Nilesh and et.al (2013) studied the effectiveness of sales promotional activities adopted by Mahalaxmi Automobile Pvt.Ltd, for Wagon-R brand and find out
responses of customers towards sales promotional activities carried out for Wagon-R, in Baramati. Sales promotional activities play a very significant role in building customer relationship, especially in constantly changing market scenario, where a customer is confronted with innumerable choices. The researcher used the convenience sampling method to obtain data from 100 customers of Maruti, by means of questionnaires, and found that sale-promotional activities facilitate decision making while buying a car and create immense awareness about brands. Most of customers were well aware of the promotional methods being employed by Maruti and believed that sales-promotional activities create immense awareness about brands.

Gupta, Bhuwan and et.al (2013). studied ‘Customer Perception and Behaviour of Car Owners in Alwar District. Pretesting was done by an Interview schedule which was developed and administered to a convenient sample of twenty two car owners. A Simple Random sampling technique was adopted in the study to select the sample respondents. A total of 500 Interview schedules were prepared and out of this, only 300 interview schedules were filled up and collected. Data were collected through an interview schedule regarding perception of the respondents on the usage of cars. The following tools were used in testing the hypotheses and in the analysis of the data. Descriptive statistical tools such as Percentage, Mean, Median and Standard deviation have been used to describe the profiles of Customers, preferred product attributes and level of satisfaction. ANOVA, t-Test and F-Test have been used to test the significant differences between the groups of respondents in their perception and satisfaction for selected independent variables like age, sex and income. Chi-Square test has been used to test the association between the Customer demographic characteristics and preferred product attributes and satisfaction. Multiple regression analysis has been used to study the influence of income and lifestyle on overall satisfaction level of the respondents. Correlation analysis has been used to establish the relationship between ‘the factors which influenced the purchase’ and ‘the factors which favoured the level of satisfaction’. Factor analysis is employed to identify the key factors responsible for the Customers’ purchase of cars and level of satisfaction after purchase. Cluster analysis has been used to identify the Customers with similar tastes and preferences with respect to purchase of car. The study throws light on various features that the manufacturers should concentrate on to attract the prospective buyers. This study concludes that Customer behavior that Customer behavior plays a vital role in
marketing cars. It also identifies which brands, on the basis of cost and service, attract, customers the most.

Arthi.D and Malarmathi (2013). studied the buying patterns of status-seeking Customers with reference to four-wheelers in Coimbatore city, revealing that there is a strong interdependence between opinions, beliefs and perceived benefits of the Customers. There are various needs which a Customer looks to satisfy. Not everyone buys a four-wheeler as a necessity or convenience, but some crave to satisfy their status needs. Analysis is done with the intention to learn the opinions, beliefs of status seeking behavior and also the perceived benefits of the behavior by the respondent with regards to car. The respondents are the salaried people of both the government and private sector in Coimbatore who owns car and they are chosen by the simple random sampling technique with a sample size of 172. One way ANOVA, Correlation and Z test were performed for the data analysis. The findings tell that there is a significant difference between different age groups and gender with regards to opinion, belief and perceived benefits about status consumption and there is no significant difference between different income groups with regards to opinions, beliefs and perceived benefits and also the respondents wish to have an unique kind of car rather than an imitated one. Respondents don’t think car as a motivating factor while they believe that owning a car is a sign of independence and power.

Urs, Vijaykantha M.C (2013). too confirmed that satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. Their study mapped the customer satisfaction index among four-wheeler dealers across Karnataka. This gives an insight on how customer satisfaction index for service sector like Automobile Industry is computed.1000 questionnaires were distributed amongst 10 TATA dealers, to find the level of customer satisfaction, in respect to service initiation, service advisor and service quality, using index method. The empirical findings from the customer’s opinion shows that Car Users (Indica, Indigo) across Karnataka were satisfied with service offered by the dealer .Findings also showed that satisfied percentage is more than the dissatisfiers.

Aditya H.S (2013). delved into the complexities of customer perception and behavior of car owners in Bangalore city, which is economically the richest and cosmopolitan
city. The study throws light on various features that manufacturers should concentrate on, to attract the prospective buyers. Taking a sample of 100 Customers, of both rural and urban, it reviews their opinion on four-wheeler features like price, fuel economy, driving comfort, maintenance cost, attractive model, status symbol, resale value etc., and found that value for money is the most important factor in consideration. Advertisements followed by television are the main sources of knowledge about latest brands and trends. Most of the people choose celebrity as the important element. Price seems to be an important factor in choosing the brand. Most of the people see for offers and discounts while purchasing a four wheeler. Most of the people are undecided about the importance of range of colours to choose the product. Most of the people look up to other for cues and style. This study also highlights the problems faced by the car owners and offers suggestions to increase the overall satisfaction of car owners.

Gupta, Sangeeta (2013). introspected into Buying Decision Influencers for Passenger Car Segment in New Delhi. When presented with so many alternatives, Customers look for those differentiating parameters, which may help them to make a best decision and can be proved as value to money proposition for them. It makes more important to analyse the Customer perceptions and behaviour of the passenger car owners which will give the feedback pertaining to designing the marketing strategies. The objective of this paper was to investigate those differentiating parameter and effect of reference group that influence the Customer buying behaviour of car owners within the city of New Delhi. The primary data was collected from 191 respondents, located in New Delhi using convenience sampling. The results revealed the strong influence of attributes like price, fuel efficiency in buying decision and importance of reference group.

Chacko Elizabeth and Salvaraj Punya (2014). study focused on the perception of women car buyers. They opine that cars are more of a necessity than a status symbol. This paper has made an exploratory approach to identify the key factors that influence the women Customers while selecting the appropriate four wheelers especially in B segment cars by considering the parameters such as mileage, maintenance cost, comfort and brand which are ambiguous and imprecise in nature. With regards to the selection of four wheelers like cars, the women Customers are in dilemma to identify and select an appropriate mode. The survey has been conducted in analyzing the
customer’s preferences in buying a car by data collected through questionnaire from 50 Customers in Bangalore. They discussed the car features and the marketing factors, which drive the modern age woman towards purchasing a particular brand of car.

Saxena, Aman (2014). study in Kerela revolves around Customer preference. The paper evaluates the Engel-Coleman-Blackwell model through which Customer preferences can be determined which is a four stage process. It also discusses methods of estimating Customer preference including survey and its limitation as well as Revealed Customer preference which gauges the preferences in retrospect after the choice has been made. Using the latter, the paper analyses the Customer preference in Electric car segment, technological innovation, high priced small car segment, diesel-petrol preference and body style. It finds that estimating Customer preferences provides managers with necessary insight to help them formulate product design policies and determine optimal sales. The substantial changes in lifestyle patterns of the Customers have caused tremendous changes in market place which is a result of globalization and integration of world economies.

Pawar, Sudarshan and Naranje, Sunil (2015). conducted a study on segmentation of four wheeler brands on pricing basis in Pune city, with an aim to find what impact does price segmentation has on Customers. With a flurry of new vehicle launches in the country, ranging from basic car models on four wheels to highly modern, stylish, contemporary and expensive sedans, further sub-segments are emerging in the car market. And with people increasingly classifying cars as 'B+', 'C+' and 'imported', it has become highly note-worthy to segment four-wheelers, to capture Customer needs. This study was carried out with the objective like to study on different ways of classification of car brands, to study traditional ways and modern ways of car segmentation, to study the correlation between the segmentation of car brands on size basis and pricing basis. Primary and Secondary both type of data was used to conduct the survey. Primary data is collected through questionnaire and interview where as secondary data was collected through magazines, SIAM Reports, Companies websites and News papers. Total Sample were taken in to consideration were 243 respondents, collected through convenience sampling method. Based on this, the analysis revealed that segmentation of car brands on price basis has a very stimulating effect on buying behavior of Customers.
Ravichandra et.al. (2007). study on the ‘Customer Preferences of Automobiles Using Fuzzy Logic Decision-Making Approach and Graph Theory and Matrix Approach’ has made a scientific approach to identify the key factors that influence the Customers while selecting four-wheeler by considering the parameters such as mileage, maintenance cost, comfort and brand. It evaluates that a Multi Criteria Decision Making tool Graph Theory and Matrix Approach (GTMA) is a suitable method to identify the preferences of the Customer who is in dilemma regarding brands, when confronted with innumerable brand choices and multiple car features. It applies the GTMA method to rank Customer preference for 1200cc vehicles and finds that Customers give more importance to mileage and brake system.

Kumar, Dr.Rakesh (2015). researched into the marketing mix of four wheeler dealers in Himachal Pradesh, to know the Impact of Promotional Activities, After Sale Services, Mileage and Resale Value on the Purchase Decision of four wheelers. It used a well-defined multi-stage sampling technique to collect a sample of 1000 Customers, of possibly all major brands of four-wheelers across Himachal Pradesh and covered all demographic variables to design the sample. Using chi-square method for data analysis the research depicted that promotional activities, after sale services, mileage and resale value highly affects the purchase decision of Customer.

Rana,Vishal and Lokhande,M.A (2015). studied the Customer preferences and attitude towards passenger cars of Maruti Suzuki and Hyundai Motors in Marathwada region of Maharashtra. Based on a sample of 500 Customers, collected through convenience sampling, the study compared the prices and Customer satisfaction of the auto products of Maruti and Hyundai companies. It was found that, as far as Maruti vehicles are concerned, the respondent preferred Maruti cars on vital parameters like fuel efficiency, better after sales service, comfort and convenience, exterior, availability of spare parts .In case of Hyundai Motors it was noticed that, the respondents preferred Hyundai cars because of comfort and convenience, interior, exterior, fuel efficiency.

This study too reveals Customer inclination towards parameters like fuel efficiency, comfort and convenience, price and well-integrated after-sale service strategy of the dealer.
Doshi, Vishal and Parmar, Chetna (2016). surveyed which factors influence buyer’s decision while purchasing hatchback cars in Saurashtra (Gujarat). The purpose of this study was to identify the components which influencing Customers brand preference for hatchback cars in Saurashtra, Gujarat region. The analysis report shows that majority of customers in this region preference is towards Maruti Suzuki brand in hatchback models. Implementing random sampling technique, the sample data and information have been collected from 200 Customers through online structured questionnaire. In order to understand the behaviour aspect of Customer for hatchback cars and the brand preference the frequency and percentage analysis have been used. Exploratory Factor Analysis shows safety, performance, aesthetic and value are positively influencing the Customer’s overall satisfaction for hatchback cars. Therefore, hatchback car manufactures need to focus on value added activities such as Customers have better perception for the quality of brand, features and facilities.

Lakshmi, N and Suryadarshini (2016) studied the preferences of households in Udamalpet, for light vehicles. It explained that, considering the increase in road usage, traffic congestion and accidents, households showed greater preference towards light vehicles. The study attempts to identify the order of preference for light vehicles, most influencing factor leading to the purchase of light vehicles, frequency of usage and its impact on environment. Primary data has been collected adopting structured questionnaire from a sample of 125 respondents. Statistical computations were made using percentage analyses, five point scaling technique (highest scale was assigned the highest score and lowest scale was assigned the lowest score), rank analysis, chi-square test and regression analyses. Analyses of the preference for light vehicles among households revealed that, brand, look/style and comfort influenced purchase of light vehicles. Motor cycle was the most preferred vehicle as the mean score was 4.74 in the 6 point scale. More than half of the households had more than one type of light vehicle. Convenience in mobility, greater mileage and moreover ease of purchase, explains why every household owns at least one light vehicle, whereas owning a car was a major family decision.

A survey on passenger car market in 2014 is conducted by Deloitte. The study was based on the responses of over 1500 car-owners from India (out of the 1800) who participated in our Global Automotive Survey. While the sample includes rural
customers, it has a significant presence of urban customers, given the pattern of car ownership in India. Further, the sample may not represent the various brands proportionate to market share those brands may enjoy. The study outlined the purchase process as figure 1.11

![Figure 1.11: Car Purchase Process](image)

Unlike the developed markets where a car is bought to cater to an individual’s requirement, the Indian first-time car buyer primarily looks at buying a car for his family. Contrary to the popular belief that the car buyer is motivated by the opportunity to make a statement of success, it is interesting that this is a very rational and practical requirement. Respondents from both Gen X and Gen Y categories have expressed similar requirements for their first car, irrespective of their gender.
Unlike the first-time buyer, a repeat buyer understandably aspires to upgrade, going by the reasons cited by the respondents. In their case, a more sophisticated product is the primary requirement. While most purchase drivers were common across the repeat buyers, the responses given by Gen X and Gen Y presented an interesting mix. While technology stood out as a ruling factor for Gen Y, Gen X gave precedence to larger space requirement. This trend held true irrespective of the respondent’s gender.

The fact that price/value and features are primary filters reiterate the conclusion that the buyer makes objective choices right from the beginning of deciding to buy to
making the actual purchase. While social media strategy is high up in the priority list for manufacturers, the customers seem to attach the least importance to what they get out of the social networking sites. Old-fashioned, word-of-mouth reference is the most important source of information. While there is a lot of emphasis placed on the sales persons by the dealers and OEMs, the influence they have on the decision making is minimal. This reiterates the importance of keeping the buying and ownership experience pleasant for the customer, so as to build credibility when the same customer is in the market to buy a replacement car. More than 70% of buyers visiting dealerships take a test drive, indicating that test drive is a key activity in the dealerships to facilitate the decision making. The greater the number the products being considered, the higher is the tendency to go through test drives. In fact, those considering just one option do not go through the test drive at all. It is clear the dealership represents limited influence in the buying process and the customers desire to spend limited time there. Therefore, the way to endear to the customer is to be highly efficient about the processes. Further, it is important to be on the final shortlist by the time the buyer is ready to test-drive.

1.3.2. Dealer perception for Marketing Mix

1. Car Dealers

For the purpose of this study ‘four-wheelers’ would imply cars only and ‘four-wheeler dealers’ would imply car dealers. Car manufacturers don’t sell their product directly to customers. They use a dealer as an intermediate retailer to sell their product-car. A **car dealership** or vehicle local distribution is a business that sells new or used cars at the retail level, based on a dealership contract with an automaker or its sales subsidiary. It employs automobile salespeople to sell their automotive vehicles. It may also provide maintenance services for cars, and employ automotive technicians to stock and sell spare automobile parts and process warranty claims.

Dealerships can be **franchise dealerships** which have a contract with a particular brand of car manufacturer or **multi-brand /independent dealerships**, which sell different brands of cars under one roof.
**Dealer Perception** would be dealt with in terms of how dealers perceive and react to their marketing mix and customers’ perception towards it. The study will strive to find which elements of the marketing mix, the dealers perceive to be their best. On the other hand which element do the customers find to be the best? And ultimately seek to determine if there is any consensus or relationship between their perceptions.

Menon, Balakrishnan (2012) has used the logistic regression model, to study the customer purchase behavior of passenger cars in the state of Kerela, in terms of information gathering, preference based on convenience factors, comfort factors, influence of car manufacturer, car model etc. The main purpose of this was to develop a model with major variables, which influence the Customer purchase behaviour of passenger car owners in the State of Kerala. The main focus of the study inclined upon finding the changes in the Indian automobile scenario, considering globalization, liberalization and entry of many prominent foreign manufacturers in India since 1990 had a significant impact on the automobile market. From in-depth interviews based on pre-determined questionnaires, of 10 major car dealers in the state of Kerala, the study reveals that TV commercials and internet websites were the prime sources of gathering information and personal needs was a major criterion, driving purchase intention.

In broad and simple terms, marketing mix theory demands that the marketing activities address the product strategy, pricing strategy, place strategy and promotional strategy. In other words, the marketer needs to put the right product in the right place, at the right price, and communicate this information in a way that raises customer awareness. Seems simple right? But it’s all about fit. Each of the four Ps needs to be geared towards your specific target market and work with each other in order for the strategy to be effective. Does your dealership implement the essential 4Ps of marketing? Given that this study is based on the marketing mix of car dealers, the following is the mix that a car dealer usually puts out in the market:-

**Product**: The product is what you’re selling, but it’s not just the item itself that’s included in this element. It’s also the different varieties of your product, its quality, how it is designed, packaged and branded. Any reason why your Customer might
want to purchase your product is included in the “Product P”. From a car dealer standpoint, while there are strategies one can use to differentiate oneself in the market place, a lot of the heavy lifting in this category is done by the manufacturer, as they are typically left in charge of product development, which is the car they offer, in its different variants with different features and value satisfaction attributes.

**Price:** Pricing strategies usually followed by a car manufacturer can be based on industry wide agreements (full cash down price or instalment based price), entry level pricing for new entrants, premium pricing for luxury brands, brand level pricing (bundling of add-ons) or used car pricing. Pricing strategies also include discounts, special offers, bonuses, payment plans, credit terms, etc. This is an element that all dealers do very well as credit terms are offered, monthly incentives are released, and special pricing and discounts are often applied.

**Place:** This is where the customers go to browse, look at and shop for vehicles. The dealership itself is the most prominent distribution strategy. The location of the dealership, its accessibility to customers and the associated services it provides makes up for a well designed distribution strategy. This is one of the elements of the mix which can be decided by the dealer. Dealers need to make sure their dealership is visible, convenient and well taken care of to attract the right Customers but they also need a website that reflects the quality and excellence of the brand and products. It is easy to find remarkable and grandiose dealerships in pristine condition, filled with spotless and shiny vehicles, but when you visit the website, the customer perception of the brand and product changes for the worst. It is important that your online strategies be properly aligned with the strategies you employ in store.

**Promotion:** Finally, “Promotion P”. We can refer to this P as the methods used by a dealership to distribute information about their products and services to their Customer base. This is where we will find great disparity in marketing strategies used from one dealer to the next, and another area where a dealership can really differentiate themselves. Car promotion includes all level of promotional standpoints. Right from TV ads, online ads, print media ads, car expos/fairs, kiosks, to mouth to mouth publicity.
1.4 SIGNIFICANCE OF STUDY

Customer behavior and perception forms the main crux of innumerable research studies, in the field of marketing, over the past many years. It is justifiable too, as Customer behavior is the fulcrum point around which all the marketing operations revolve, in the present era of Consumerism. In fact the entire marketing mix of a company is designed, keeping in mind the thought process of a Customer. Even the traditional business – oriented elements of marketing mix- product, price, place and promotion, have today become, Customer oriented. The marketer today designs his strategy according to Customer needs, cost that will satisfy the Customer, communication to create Customer relationship and convenience of the Customer. Customer Behavior is a rapidly growing discipline of study. There are various reasons why the study of Customer behavior developed as a separate marketing discipline are shorter product life cycles, increased interest in Customer protection, growth in marketing services, growth of international marketing, development of computer and information technology and increasing competition, etc. The same reasons demand continuous vigilance on the part of marketers and require them to revamp their strategies from time to time.

On the canvas of the Indian Economy, Auto Industry occupies a prominent place. The car industry in India has been on steroids. The domestic sales have reached a level of 2 million units per annum, growing in double digits. It was expected to rise further to 3.66 million units by 2014-15 and 5.2 million units by 2019-20 (Stella & Rajeshwari, 2012).

Udaipur city, over the years has become quite a fertile ground as a four wheeler market; more so, after it set foot on becoming a smart city. Cleaner, wider roads, growing consumerism, growing trade with the incoming of multiple brands in the city and the presence of almost all brands of car manufacturers has led to an increase in number of car owners and potential four wheeler customers in Udaipur. The number of registered cars in Udaipur city has increased from 2017 in the year 2002-03 to 6450 in the year 2015-16, approximately at a rate of 219%. Almost all major brands of car manufacturers have their showrooms in Udaipur- TATA, HYUNDAI, MARUTI SUZUKI, FORD, TOYOTA, CHEVROLET, HONDA, MAHINDRA, NISSAN, DATSUN, AUDI, SKODA, and RENAULT and recently BMW has also inaugurated
its showroom in the city. Hence this provided scope to study the current prevailing potentialities of the four wheeler market, through a study of the Customer and dealer behavior in the city. The present study seeks to study the Customer behavior in respect to the marketing mix of four wheelers in Udaipur city. In addition it seeks to study the perception of the dealers of four wheelers, towards their marketing mix and assess the degree of integrity between the 4p’s and 4c’s of four wheeler marketing and its level of success in satisfying the Customers in the city.

Udaipur is growing market. All major brands of four-wheelers have found a foothold the city- Ford, Hyundai, Tata, Maruti, Audi, Mahindra, Renault, etc. There’s a huge increase in the number of four wheelers plying on the roads of the city of Udaipur and in the number of four-wheelers that people own. Hence, this study has been intended to determine the inter-relationship of dealer’s and Customer’s perception with special reference to the 4p’s and 4c of marketing of four-wheelers.

This research will be helpful for the new car entrant companies in India to find out the possible gaps between the customer expectations and the present market offerings. It will be mainly a primary research and the information will be gathered from both primary and secondary research. The research will analyze the applicability of existing research concepts, theories, and tools for evaluating Customer satisfaction.

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