

## **CHAPTER – 2**

### **RATIONALE OF THE STUDY AND VARIOUS PRODUCT ATTRIBUTES**

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#### **2.1 A RATIONALE OF THE STUDY**

The rationale of the study is explained under the heading, 'Product Attributes and marketing to 21<sup>st</sup> century consumers'

Today's world is full of uncertainties. For marketers their historical success no longer remains the benchmark and doesn't even assure the future success. In today's world the most important thing that drives companies success rallies is their ability to keep track of change and their adaptability.

The world has become a small village because of the revolutionary technology and economies have transformed from traditional ones to Knowledge Economies. Because of the borderless markets, 'glocal' strategies of the organizations, global standardizations and keen global competition, the consumers have not only been benefited in terms of vast choice and low prices, but have also become more aware of and highly aspirational as a result of ostentation effect. This can be predominantly attributed to the globalization and technological breakthrough. For instance the Internet enables a round-o-clock access to an endless treasure of information and facilitates the users to buy and sell just by the click of the button or mouse. The time is not far away when we would actually be able not only to see the product and services on screens but also smell the fragrance. It is because of this globalization and technological revolution that the

entire world has become a big market space. Today an average consumer in an underdeveloped country like India is highly aware of the products and services that people in developed countries buy, the brands they value, the services they are being offered and the prices they are charged for.

The aspirational level of an average consumer has substantially increased especially after globalization and even in a country like India there is a huge mass of consumers consisting of average and above average class consumers who are ready to pay more for better quality products and services. For marketers it is difficult to define quality perfectly unless they do it with a thorough consumer perspective. This is very much the fact because quality is a subjective term and differs from person to person, for instance my perception of opinion regarding a good quality Television may be different from my wife. This is the reason why companies try die hard to chalk out customer perceptions of good quality, develop quality conformations and practice Total Quality Management, Just-in-time, Six-sigma and other such quality management approaches to rate themselves as accurate as possible insofar customer satisfaction in terms of quality is concerned.

Somehow quality has become a much-hyped concept among all the market players and in today's consumerism age quality is regarded as the primary ingredient of a product or service. This is the reason why marketers cannot simply rely on quality alone to derive a competitive advantage and more importantly satisfy consumer needs and wants. Moreover in some non-durables like, soap, toothpaste and eatables as well as durables like household electronic

appliances like T V , Refrigerator, Air conditioners etc , consumer perceptions about quality do not differ significantly This is because either companies have failed to differentiate their brands effectively or competitors have been able to match the leaders in terms of quality Moreover Indian market is especially a price sensitive market where often people are ready to forgo the better quality for lower price preference This is a paradox of generally accepted price quality relationship which states, higher the price, better the quality On the other hand people are often ready to be consistent with the price-quality relationship and they are largely ready to pay high price for a better quality product or service Because of all such reasons marketers often give considerable and sometimes full attention to other attributes than quality Product attributes like, product variety, features, design, price, packaging, size, brand name, colour, retailer's prestige, manufacturer's prestige and returns or satisfaction play a significant role in consumer decisions and their buying behaviour Moreover it's within the knowledge of marketers that people do not buy product and services but they buy solution to their needs, they buy actually a bundle of benefits

Each one of these attributes of a product is capable of being perceived as an actual benefit It then becomes the task and responsibility of marketers to convert these attributes in benefits and communicate the same in an effective manner to the consumers to help them make a better decision and to get competitive advantage Product attributes also help marketers segment their products as per benefit segmentation in behavioural segmentation On the basis of

this segmentation they can target a market to enter. Moreover product attributes can often be the basis of positioning strategy

The attempt of this study is to find out the impact of product attributes on buying decisions of consumers and to know their relative importance, with the help of a comparative analysis as far as consumer durable and non-durable products are concerned Academicians and marketers for formulating product and positioning strategies could better utilize this for the purpose of future research

## **2.2 PRODUCT ATTRIBUTES OF DURABLE AND NON-DURABLE CONSUMER PRODUCTS**

The basic task of a marketing firm is to create a difference between a company's offering and that of the competitors' on one or more attributes important to the consumers. To create this differentiation they use Segmenting, Targeting and Positioning The words one or more attributes are used here to signify the fact that it may be required for marketers to use double or even multiple attribute positioning when a single USP is matched by the competitors. According to Michael Porter, in Competitive Strategy – For a broad positioning a business should focus on three alternatives and try to be good in all the three The Product differentiator, A Cost Leader and A Nicher. Product attribute based positioning may help the firm to become good as a differentiator and even a nicher. However consultants Michael Treacy and Fred Wiersema suggested companies to aim for a better position in at least one of the three Value disciplines namely, Product leader, Operationally excellent firm or Customer intimate firm and advised to go for a specific positioning instead of a broad positioning by using Benefit positioning instead of Attribute positioning.<sup>1</sup>

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1 Philip kotler, Kotler on Marketing – How to create, Win and Dominate Markets, The Free Press, New York, USA, 1999 PP – 55-57

#### ❑ *PRODUCT VARIETY:*

Product variety signifies the range, width or assortment that the manufacturer makes available to the consumers. It is quite common to find these days a number of brands for the products we need available in the market. This is the result of a careful consideration on the part of the marketers of Non-durables and Durables to give needed importance to the assortment in their manufacturing and marketing decisions. The very significance of the attribute 'Product Variety' highlights the recognition and importance that marketers assign these days to the consumers as far as their freedom to choose is concerned. The availability of a product assortment not only helps consumers to select a product they desire but also increases their chances of making a better decision. Over and above this major benefit aforesaid, making a range of product available in the market has other advantages also. Firstly in this global era where domestic companies face competition from not only domestic but also the multinational giants, it becomes mandatory for such domestic companies to make a range of product available in the same category as well as other to make customer not to switch over to a competitor brand. Secondly marketers have been increasingly found using this attribute as a part of their Flanker strategy in order to give protection to their mainstream brand, for instance Colgate has made available various brands of Toothpaste available in the Indian market across categories like, Herbal toothpaste, Salt toothpaste, Whitening toothpaste, Gel toothpaste, Total protection toothpaste etc

The successful attempts to make a range of product available in the market requires two important consideration on the part of companies namely; Production and Distribution Insofar the production is concerned attempts are bifoldd towards firstly manufacturing the existing range of products and secondly undertaking continuous innovations for the enrichment of the product width As far as the distribution goes, the responsibility of the marketers extends from not only making a product available in the marketplace but also make it available to the end user defect free This is especially true in case of Durable products In order to achieve these objective the task is not only to select channel members carefully but also involve them in the value delivery network as member partners, training them as and when needed, maintaining healthy relationship with them and communicate with them the ultimate objective of the firm that is Customer satisfaction

Consider the case of Colgate The brand Colgate has been rated number one for last three years now in the Brand Equity annual raking for top 100 brands in the country across variety of product categories in the Most Trusted Brand Survey As Graeme Dalziel, VP Colgate, South Asia region and MD India, explains, 'The Company continuously tries to make addition to the overall equity of the brand Colgate' Among the major reasons for the success of the brand are

- The strategy of making a whole range of brands available across a variety of segments from premium and value added ones to new categories like, Herbal and Whitening ones

- Continuous innovation, which has been instrumental in the consistent performance that includes a constant attempt to refresh Colgate with either new launches, additions or advertisements shows the innovation strive of the company
- The objective of developing products specific to India or help grow the nearby markets in the region. The emphasis is also given to local innovations using natural resources like Salt and Neem
- Distribution ensuring last mile connectivity with the end users. Colgate has benefit through sheer reach <sup>1</sup>

#### ❑ QUALITY

It is not easy to define what is quality because just as beauty lies in the eyes of the beholders, quality lies in the mind of the customers. Quality is what consumers perceive it is. Needless to say that consumers are getting more quality conscious in this age of modernization and information. On one hand one of the reasons for the choice of quality over other attributes is the lack of time and resources that are wasted in getting the shoddy or cheap quality products repaired or maintained. In some durable product categories, either it is because of the lack of satisfactory service availability or the charges for the same and unavailability of the mechanics etc. On the other hand quality is positively related with Brand name that is to say that consumers normally perceive that a branded product is better in quality compared to a non-branded one or well known brands offer better quality as compared to the others. This is also the reason for which people are ready to pay higher price for a well known brand although it may not be technically that much superior.

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<sup>1</sup> Ahead again', Brand Equity, March 15, 2005

to the other substitutes. Quality is the 'FITNESS FOR USE' or 'CONFORMANCE TO REQUIREMENT' or 'FREEDOM FROM VARIATION' of a product. Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs<sup>1</sup>. So it is a customer-oriented concept. Conformance to specifications is something that can be measured and that is the reason why Philip Crosby, the Champion of Zero Defects, defines quality as "Conformance to requirements"<sup>2</sup>.

He believed that this enables managers to manage the quality. Defining quality in this sense keeps us away from making unreasonable comparisons among the quality of various products. For instance, comparing a Samsung 100Hz Projection T V with an Onida Black DVMC, does not actually make sense because both may be doing well in their respective categories. Another example could be of a comparison of Maruti Esteem-2005 with a Chevrolet Optra. This comparison, by no way interprets Optra as a better quality car, because Maruti may be a high quality product in what it was designed to do. This difference highlights the difference in specification standards manufacturing companies set for their products. This is done initially with the help of Marketing research and Marketing intelligence of the companies. This marketing research makes the researchers available with some Consumer attributes, these are then converted into engineering attributes and supplied to the production engineers who convert the engineering

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1 Philip Kotler, Marketing Management, Millennium Edition, Prentice-Hall of India Pvt. Ltd, New Delhi, 2001, p. 57

2 K. Shridhara Bhat, 'Total Quality Management' – Text and Cases, 1<sup>st</sup> Edition, Himalaya Publication House, Delhi 2002, p. 1

attributes into Product attributes. During the course of this activity these attributes take the shape of standards with which the actual products are compared so as to avoid any deviations in the final products, which are to be made available to the end user

This way the entire process goes on a continuous basis and marketers are assured of having manufactured and distributed products according to the needs and wants of consumers only

This is just one aspect of the reality that is far different than manufacturers' concept of quality that is to define it as Conformation to standards. Because quality is a customer-oriented concept, if the customer is not happy with the product, it is not a high quality product. In this sense quality is a measure of the conformance of the product to the customer's needs. Conformance to specifications is different from conformance to customer needs because, as discussed earlier, conformance to specifications assumes a given design and the specifications resulting from that design. Actually this design of the product and specifications are the part of the customer evaluation. For instance, given two models of a Family Car, Chevrolet Travera and Honda- CRV, which one would a consumer buy? The answer is a combination of aesthetics, features and design. This viewpoint of quality is good and bad as well. It is good that it gets to the heart of the issue, that is, it defines quality as what the customers think it is. However it is bad because the same idea makes it a relative term difficult to measure and consequently improve it<sup>1</sup>

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1 Op Cit P 54

The auto industry may be moving up the quality ladder, but the problem quotient has only increased for the Indian customers. According to the latest study by JD Power Asia-Pacific, the number of problems reported by new vehicles owners has grown from 151 vehicles in 2002 to 183 in 2003. The 'India Initial Quality Study' measures the quality of new vehicles in the first two to six months. The big trouble spots are in the quality of ride, handling and braking as well as seat and exterior comfort. JD Power feels that part of the reason for the slide in quality could be the huge demand surge the industry is currently witnessing, which puts pressure on production and quality control. The overall problem score is lower at 156 problems per 100 cars for higher value mid-size as compared to premium compact at 176, entry mid-size at 183 and Muv/Suv at 245. Top scorer in the volume compact segment is Wagon R with a score of 118 followed by Zen 154 and Hyundai 157. In the entry mid-size segment, the Maruti Esteem is the top scorer with 113 followed by the Opel Corsa/Swing 140 and Ford Ikon 161. In Mid-size category, the Honda City tops with 105 followed by the Mitsubishi Lancer 141 and Hyundai Accent 156. In Muv/Suv category Toyota Qualis is on top 188 followed by the Mahindra Scorpio 242 and Tata Safari 271 problems per 100 vehicles. (The study covered 3300 new vehicle owners of 26 different models representing 11 brands <sup>1</sup>

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1 New Delhi bureau, 'Motown hits a quality bump. New owners' Grips on the rise, Maruti Wagon R, Esteem still top buys', The Economic Times, 9 December 2003

## □ COLOUR:

As a product attribute, colour occupies an important position in consumer decisions now-a-days. This is especially true because of the colour variants the companies provide the consumers with enhance their dimensions of selection. Colour adds value to the packaging appeal in addition to the product's appeal itself. A thorough understanding of each colour and its significance in terms of the target consumers help marketers a lot in designing a product and its packaging.

Over a period of time people have associated value and personifications with different colours. More evident associations commonly found are: Black resembles prestige, richness, soberness, sleekness, seriousness, sophistication and strength (appropriate for sophisticated advertisement and product packaging in combination with Gold, Silver etc.), White is sober, neat, clean in image, and resembles peace, Red indicates danger, violence, strength, passion, prosperity, intensity, good luck and is also auspicious (appropriate for exciting, auspicious, rural, robust, and reassuring messages), Green indicates freshness, progress, prosperity, freedom, movement and vegetarianism (appropriate for healthcare, agricultural and precision equipments as well as natural products), Yellow is vibrant and bright, Pink is tender and feminine etc. (appropriate for all messages requiring attention, construction machinery). People in India with their religious importance and obsession are very particular, conservative and suspicious about the selection of a product as far as the colour goes. This is very apparent in almost all consumer durables across the nation, which becomes an important concern for marketers if they

want their products to be successfully launched and they can use it as significant concern for effective marketing strategy they can cash on by matching the colour expectations of consumers

Colours have a deep impact on physical, mental, emotional and spiritual life of an individual. Some astrologers believe that colours help in relieving an individual from his problems. They name this as colour therapy. Red, for instance, is associated with vitality and aspirations of life, which can rejuvenate tired and dormant. However it has to be utilized carefully because it is also linked with aggression and temper. Orange, a colour full of enthusiasm, relieves from emotions and pessimisms. It enlightens our brain and brings new juice to our life. Yellow, the colour of glitter indicates happiness in life. Since it depicts clarity in thoughts, it is often suggested for someone who is confused. It indicates decisiveness, self-confidence and positivism. It is suggested to those who are suffering from depression and other such mental diseases. Sky-blue, is a cool colour. It indicates relief from tensions and brings peace of mind. It also indicates creativity. Black, a mysterious colour is associated with seriousness. It is perceived as an obstacle in the way of progress and change, but people, especially Indians prefer it to save themselves from black magic and mal-intentions of others. Green is linked with nervous system and mental strength and is recommended for people suffering from mental weakness. It is also the colour of sensitivity that links one with others and nature. White is a colour that has been the most preferred colour for centuries now. It depicts mental peace, health and creativity and helps in situations of indecisiveness and confusions.

The social class system prevailing in India poses various challenges for manufacturers and marketers as far as the colour goes because people in several income class and following particular religions are very particular and sometimes blindfolded in beliefs. As we review largely because of the reasons of illiteracy, conventionalism etc., people in India take black as inauspicious, white and red as auspicious, yellow, green, black, blue as youth colours etc.

The religion also acts for colour preference. Hindus consider saffron, red, and yellow as pious colours, while Muslims take green in that manner. One major attitudinal change that has come as an outcome of increasing literacy rate, improved standards of living and ostentation of West, is the conventional fact about the colour black, which is now taken as reflecting youth, richness, status etc. from being inauspicious colour. This fact is reflected in the article published in the Economic Times, seen in the next paragraph.

Indian car buyers seem to be reveling in the “you can buy any colour as long as it is black, reasoning. Interestingly for car marketers, black is the colour for young consumers. Quite apart from the really big wheels - where black is the second most preferred colour after the long loved Silver grey - the colour is catching on in smaller cars as well as SUVs. Around 15% of all Santros sold in India and 10% overseas are black, while Accent clocks in just fewer than 20% in the colour black. Though black is the biggest in the top-end – from Sonatas that averages around 25 to 30% in black, Honda’s Accord sells around 20% and 7% in the new version of City. For Daimler Chrysler, black is sold almost as a rival to the Silver at 30% to 40% of

that of Silver, for Ford 35% of Endeavour, 33-35% of Ikon and 35% of Mondeo sales are in colour black, for Mahindra & Mahindra, Black is the colour on rise

For young professionals who drive their own vehicles, black tend to be the choice. Around 15% of Scorpios and 10 to 12% of Boleros sold are black. When M & M launched the Bolero four years ago, it was skeptical about the black used in its TV spots given that the colour was traditionally considered inauspicious. But they had a large number of people asking for car in ad so they realized that black was no longer a negative colour, says Rajesh Jejurkar, Executive vice president, marketing and sales (automotive division), M & M. The preference for colour black has a regional skew and the South continues to be conservative for it. For Maruti Ltd. black accounts for 22% of countrywide sales, in Delhi its share is 21% and in Mumbai it's 23%.<sup>1</sup>

Colour is often a determining factor in a customer's acceptance or rejection of a product, whether that product is a Dress, Refrigerator, Mobile phone or Automobile. Colour by itself however, is no selling advantage because many competing firms offer colour. The marketing advantage comes in knowing when to change colours.<sup>2</sup>

Research reveals that consumer will react favourably to unusual colour or flavor names (for example blue haze, alpine snow, Blossom White etc.) This is because they expect the messages delivered by the marketing communications to give them useful information.

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1 Nandini Sen Gupta & Chitali Chakravorty, "Car owners on a new drive. Size doesn't matter, it must be black", The Economic Times, New Delhi, 27<sup>th</sup> April 2004

2 William J. Stanton, Charles Futrell, Fundamentals of Marketing, Eight edition, McGraw Hill Book Company, New York, USA, 1987, P-245

If they find that the message is not properly informative or does not match the expectations, consumers search for the reason for deviation. This search results into additional positive attributions about the product and thereby a more favorable response<sup>1</sup>

#### □ *DESIGN:*

'Luxury is a necessity. It begins where necessity ends'- Shelen Gabrial. This statement goes with a number of product attributes when they are marketed not as benefits but as adding to the conspicuous consumptions of the consumers. A product can have such an attribute based positioning along the attributes namely, Quality, Design, Price, Brand name, Service, Image and Colour.

Policy makers should be concerned with product design for at least 2 reasons, first, for increasing industrial competitiveness a strong product design capability can slash product development time, improve quality and reduce the cost of the company and therefore design is a major determinant of manufacturer's competitiveness. Second is that product design is a unique point of leverage from which to address environmental problems. At the stage of design decisions are made regarding the type of resources and manufacturing processes to be used and these decisions will ultimately determine the probabilities of waste. By giving designers incentives to consider the environmental impacts of their choices, policymakers can address environmental problems that arise throughout the life cycle, from the extraction of raw material to the final disposal. Both these goals of competitiveness and

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<sup>1</sup> Elizabeth G. Miller, Barbara E. Kahn, 'Shades of Meaning: The Effect of Colour and Flavour Names on Consumer Choice',

environmental care could be consistent by design strategies that reduce the cost and improve quality and acquiring the benefit of generating less waste and pollution. Many companies are already using the environmental attributes of their products in their marketing strategies and researches suggest that consumer demand for green product is likely to increase. Product design offers new opportunities to address environmental problems.

Product design is a process of synthesis in which product attributes like cost, performance, manufacturability, safety and consumer appeal are considered together. The influence of legal environment typically influences the design process by imposing external constraints for example, fuel emission and pollution control standards for such as Bharat-I and II, Euro-I, II etc. for automobiles like Cars. Office of Technology Assessment in U.S.A. uses the phrase 'green design' to mean something qualitatively different i.e. a design process in which environmental attributes are treated as *design objectives*, rather than as *constraints*. Green design incorporates environmental objectives with minimum loss to product performance, useful life and functionality.

As competition intensifies, design offers a potent way to differentiate and position company's product. According to Harvard professor, Robert Hayes – Companies used to compete on Price, which was replaced by Quality later on and in years to come they will compete on Design. In increasingly fast-paced markets Price and Technology are not enough. Design is the factor that will often give a company its competitive edge. Design is the totality of features that affect how a product looks like and how it functions in terms of customer

requirements. Design is particularly important in manufacturing and marketing durables, non-durables and services. Various aspects like, Form, Feature, Performance quality, Conformance quality, Durability, Reliability, Repairability and Style are parameters directly or indirectly linked with design. The designer has to figure out how much to invest in form, feature development, performance, conformance, durability, reliability, repairability and style. To the company, a well design product is one that is pleasant to look at and easy to open, install, use, repair and dispose of. All these aspects are to be taken care of by the designer. Some companies confuse design with styling and think that design is a matter of enclosing an average product in a stylish casing. Or they think that reliability and quality are something to catch during inspections rather than designing it into the manufacturing process. They may think of designers as artist who pay insufficient attention to cost or who produce designs that are too radical for the market to accept. Certain countries are winning on design. Italian design in apparel and furniture; Scandinavian design for functionality, aesthetics and environmental consciousness; German for austerity and robustness. The trend in MNCs is that the Design departments enjoy equal status with engineering and manufacturing.<sup>1</sup>

The design is an important way to build an image to a product. In fact a distinctive design may be the only feature that significantly differentiates a product. There is considerable glamour and general promotional appeal in product design and the designer's name. The marketing significance of design has been long recognized in the

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1 Ibid, P-53

field of consumer products, from automobiles to apparel. A good product design can make the product easier to operate, can upgrade the product's quality or durability and can improve product appearance and reduce manufacturing cost <sup>1</sup>

#### □ *PRICE*

Price is an important variable that may add to or detract from consumer purchase tendencies. Price as an attribute of product is more influencing factor in some types of products than others. This is essentially true when consumers view the competing shopping goods brands as being the same without any substantial difference among them insofar as the other attributes and overall consumer satisfaction is concerned. Consumers' willingness to spend on the goods remains the same whether the goods being perceived are convenience, shopping or specialty goods. The higher the price, the more involved we are in making the decision to buy and longer and complex will be the decision process. Price also determines the target market for the firm. A firm's pricing is an important determinant of the type of consumers that will be attracted to the product.

Price as it is well known, could be termed as the monetary value of any Product or Service. The success of a new as well as the continuing product and the overall success of the company in the long run heavily depends on how compatible the company is as far as its Pricing goes. This is especially true in a price sensitive market like India where an average consumer is normally ready to compromise with other priorities if he gets a cheaper product or

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2 Ibid, P-60

service. The success of dumping from China and other countries and the Me-too products also can largely be attributed to the price sensitive nature of Indian market. Taken in a paradox, pricing often happens to be the most important P of the 4 P's of Marketers in Indian market. Most foreign multinationals have understood this phenomenon of Indian market and reflected their knowledge and learning in their marketing (pricing) strategies. This goes without saying because a large part of Indian market is consisted of Middle class and Lower class consumers who are high in aspirations but low in the disposable income and thus also low in the Marginal Propensity to Consume (MPC). As mentioned already the pricing has a major impact on the overall competitiveness and consequently success of companies. The price of a product is a major determinant of the overall customer value the company is delivering or wishes to deliver to its customers. A reduction in the price of a product is one simple way to enhance customer value. This price reduction is largely possible through cost reduction that happens to be the most sought after endeavour on the part of companies. The other major lookout is for innovations and technological breakthrough, which is not every organization's cup of tea, may be because of their financial limitations or otherwise.

The face value of the product is an important factor determining the price of it. The face value includes, the total cost plus selling and distribution overheads, which together determine the price. It also depends on the effectiveness of the purchase department that performs the major task of selecting the suppliers, materials, negotiating on the price of materials and other terms. These things if

are neglected or not taken proper care of, will result in wastage and increase in cost and ultimately the price. In order to control product prices a strong control should be exercised on manufacturing, distributing and marketing. We know that cost comprises of Fixed and Variable cost of which Fixed cost is not affected by the changes of production volumes and Variable cost keeps on changing as per the changes in the quantity of production. Today many large companies especially because of the crises and downfall of the U S economy, have resorted to lay-offs and downsizing to reduce its fixed cost and improve managerial efficiency. On the other hand as variable cost directly depends on the production volume, it varies with the number of units produced. For instance a Car manufacturing company will require engine, gear box, steering assembly, breaking system, upholstery, cooling system, battery, suspension, body, tyres etc. the cost of which decreases with more number of cars being manufactured. In all, Marketing objectives, Marketing mix, Company structure and Culture are some major internal factors that affect the pricing in a company <sup>1</sup>

The marketer has to have the knowledge of Market demand. Moreover knowledge of the relationship between the Price and Demand is a must for the marketers. Price and competition are closely related. In situations of perfect competition, marketers have very less scope of playing with the Price factor. It is relatively easy to enter in such type of a market. Because of the existence of many players you don't need to spend much on the promotion as already most of the awareness is already created. Today a major stream of business that has developed on this front is that of Retailing where

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<sup>1</sup> B N Dastoor Price & Cost, Modern Management, Sandesh Weekly additional, Vadodara 5<sup>th</sup> June 2005

major players enter with big super stores, buying directly from the company, getting larger credits to play with the price of the commodities, for instance Adani's, which often offers promotional schemes through Self-liquidating premiums. They believe in making loss in product to earn in another product.

Monopolistic competition aims at altering the prices of the products by making alteration in the design, colour, features etc. of the products. For instance variation in the size or packaging of an edible oil or a bathing soap can also reduce or increase its price. Here marketers do have to make huge investments in promotions in order to differentiate their product through branding, positioning, advertising and even sales promotion activities. Oligopolistic competition is a situation in which there are limited numbers of players who keep a close watch on the pricing strategies of their competitors. There are strict entry barriers in such type of a market. Products could be uniform like, Cement, Iron etc. or non-uniform like Car, Furniture etc. A reduction by 5% in prices by one cement company will force the others to do the alike.

Car manufacturing companies resort on branding, differentiating, designing etc. to take more prices from customers even though there are more technical similarities among models of various companies. The importance of service is heavily rated in such a type of market. By making changes in the design, styling, technology and advertising, the Korean companies have got their foothold in the White goods market in India.

Pure monopoly is generally found in sectors like Power supply, Transportation, etc. but that too is restricted to certain regions only, especially in big cities. Because of the absence of competition, marketer can charge his own price, may provide poor or average service. For instance Electricity supply, recently the trade capital of India, Mumbai had to suffer from the power failure problems on a regular basis. A new entrant in such a type of market can bring about drastic changes in the entire sector as such, just like the case of Life insurance service, Banking service or Telephone service sectors in India. The private sector not only broke this monopoly, but also raised the level of the sector in terms of customer satisfaction. With the entry of Maruti in Indian automobile sector, the so called monopoly of Hindustan Motors and Fiat came to an end and soon Maruti had more than 80% of market share that sustained nonchalantly till Korean, American, European and other multinationals entered Indian markets to compete on various fronts from Brand image to better technology and overall customer satisfaction. Government and semi-government companies keep low prices in a monopoly market for the sake of social and political reasons and sometimes raise or curtail prices respectively to reduce or increase the consumption of certain products<sup>1</sup>

Because most buyers think in terms of Value-for-money, the marketer must Value-position the brand in the following manner: a) More for More – Companies that specialize and offer the most upscale version of the product and charge a high price to cover their higher costs. This positioning can thrive only as long as there are affluent buyers who initiate and can afford conspicuous products, b) More for the Same – this is an attack on the companies that offer

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<sup>1</sup> B N Dastoor, Pricing and competition, Modern Management, Sandesh Weekly additional, Vadodara 12<sup>th</sup> June 2005

more for more. Here companies claim to offer the same quality and performance at the rate much lower than that of companies charging high, c) The Same for the Less – it aims at claiming to offer the same benefits for the price less than the normal one. It is all about offering discounts to the customers, d) Less for Much less – this is an opportunity for the seller when they find that the customers complain that the company is offering them more than what they require and make them pay more for the same and argue to reduce the same for a subsequent reduction in the price which is not normally possible and e) More for Less – this is the value positioning that help companies not only to win the market but also gain a competitive advantage over others and is often the reason for the success of the Category Killer stores.<sup>1</sup>

#### □ FEATURES:

Most products can be offered with a variety of features, characteristics that supplement the product's basic function. Being the first to introduce valued new features is one of the most effective ways to compete.

How can a company identify and select appropriate new features to incorporate in their product? The answer is, it can ask the recent buyers about how do they like the product? Are there any features they like company to add in the product that would improve their satisfaction? How much would you be ready to pay for each addition of the new features? How do you feel about the features other customers have suggested? The next is do decide about the features

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<sup>1</sup> Ibid, P-50

worth adding to the product for which a company has to do a cost benefit analysis comparing customer value and company cost. The company also needs to consider how many people want each feature, how long it would take to introduce each feature and whether competitors could easily introduce the same or other features to get a competitive advantage, may be even faster than the company.<sup>1</sup>

Features would be readily identified as the most obvious and apparent attribute of a product or service that would help an individual decide and purchase a product. They attract the prospects most and act as Evaluative criteria for brands. The criteria consumers use to evaluate the alternative products that constitute their evoked sets usually are expressed in terms of important product characteristics or features. When a company knows that the consumers will be evaluating alternatives, it sometimes advertises in a way that recommends the criteria that consumers should use in assessing product options.

Consumers compare or evaluate many such features in the hope of finding the right product/brand they need. Surprisingly research indicates that when consumers discuss such 'right products/brands', there is little or no mention of Price, Brand names are not often upper most in consumers' minds, Items often reflects personality characteristics or childhood experiences and it is often 'Love at first sight'<sup>2</sup>

It becomes mandatory for the companies to carefully select the features to be offered in a new product or to be added to the existing products to differentiate it from the competitors. It is feasible as well

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1 Ibid, P-54

2 Leon G Schiffman & Leslie Lazar Kanuk, Consumer Behaviour, Eighth Edition, Pearson Education (Singapore) Pvt Ltd, Delhi, 2004

as viable for companies to introduce products with a number of features, each of which might be individually perceived as useful. However too many of features can make a product overwhelming for consumers and difficult to use. Research reveals that consumers give more weight to capability and less to usability of the product before use than after use, They tend to choose overly complex products that do not maximize their satisfaction when they use them, resulting in 'FEATURE FATIGUE'. It is therefore required on the part of the companies to introduced products with limited number of product in a large range <sup>1</sup>

The following is model of product features that consumers do normally use as criteria in evaluating six product categories in making buying decisions for the same

PRODUCT CATEGORIES	FEATURES USED AS CRITERIA FOR EVALUATION
SOAP	Price, Freshness, Smell/Fragrance, Package, Size
TOOTHPASTE	Price, Freshness, Taste, Colour, Package, Size
CHOCOLATE	Price, Taste, Package, Crunch, Size
TELEVISION	Price, Picture quality, Screen size, Picture tube shape, Warranty length, Number of channels, Sound effect
REFRIGERATOR	Price, Liter capacity or Space, Cooling capacity, Warranty period, Colour, Design, Door options, Power consumption
CAR	Price, Mileage, Seating capacity, Fuel tank capacity, Storage space, Interiors, Comfort, Air conditioning, Central locking, Power steering, CC

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1 Deobora Viana Thompson, Rebecca W Hamilton & Roland T Rust, 'Featuring Fatigue when Product Capabilities become too much of a good thing', Journal of Marketing Research, AMA, XLII, Nov -2005, p p 431-442

## □ BRAND NAME:

A Brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Branding a product or service reveals the ability and skill of a marketer to create, maintain, protect and enhance products and brands. For marketers branding is an art and cornerstone of marketing. A brand typically identifies a seller or manufacture and helps in differentiating. A brand is a seller's promise to deliver a specific set of features, benefits and services consistently to the buyers. The best brands convey a warranty of quality. But a brand is even more complex symbol for it can convey up to six levels of meaning: First, a brand brings to mind certain Attributes, Second, these attributes must be translated into functional and emotional Benefits, Third, the brand also says something about the producer's values, Fourth, the brand can represent a certain Culture, Fifth, it can project a certain Personality and Sixth, it suggests the kind of consumer who buys or uses the product. If the company treats the brand only as a name, it misses the point. The branding challenge is to develop a deep set of positive associations for the brand. Marketers must decide at which level to anchor the brand's identity. One mistake would be to promote only attributes. This is so because firstly, the buyer is not as interested in attributes as in benefits, secondly, competitors can easily copy attributes and thirdly, the current attributes may become less desirable later. The most enduring meanings of the brand are its Values, Culture and Personality. They define the brand's essence<sup>1</sup>

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<sup>1</sup> Ibid, P-54

A Brand can be described as a thought in the mind of a consumer. A brand can also be recognized as a mental box in the mind of a consumer, which helps him/her to store and update information about a particular brand and also retrieve the same when needed. Understanding or comprehending a brand at the time of making a buying decision depends on the brand recognition of the same, which in turn means a familiarity with a brand gained from a past experience that does not necessarily involve remembering where the brand was encountered before, why it differs from the others or what is its product class. Research in psychology indicates that recognition alone helps in generating more positive feelings towards a brand encountered before and that the familiarity consumers have with a brand makes them remember the same even on hearing some related or unrelated words and favour it during the purchases. A brand is said to have a Recall if it comes to consumer's mind when its product class is mentioned. It is however not necessary that brand having high recognition alone can be strong brands. Firstly because the strong Niche brands that have low recognition for they are not known to a substantial group of consumers and still have high recall among their respective loyal customer groups and Secondly because of the brand that are in Graveyard (Recognition Versus Recall: The Graveyard Model – Young and Rubicam, Europe) with a high recognition and yet a very low recall at the time of buying the product. For a brand the ultimate awareness level is the Brand name dominance where most customers can only provide a name of a single brand while recalling, but this is risky if the brand name becomes such a common label for the product that it cannot be protected legally and is lost <sup>1</sup>

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<sup>1</sup> David A. Aaker, Building Strong Brands, The Free Press, New York, USA, 1996, P – 10-15

Consumers these days have started giving highest importance to the Brand name alone for the trust it generates and these is the reason ONIDA people have moved to their original advertising strategies. The Devil is back with ONIDA After taking it away from the brand as a brand symbol back in the year 1999 on the reason that it had lost its importance and was not able to live up to the consistency of the message it was suppose to convey, ONIDA brand managers concentrated more on the functional aspects of the Television brand and products all through these years highlighting brand features and functional benefits Now the brand managers have revived their thinking on the ground of the finding that consumers have started giving less importance to the features and more to the brand name, the company has come with a new face of the devil and has planned to allocate ¼ of its advertising to the same which amounts to 10 crores of rupees

#### ❑ *PACKAGING.*

Packaging includes the activities of designing and producing the container for a product. It can include three levels Primary package, Secondary Package and Shipping package. For years now packaging has been seen as an important marketing tool and is reckoned as the fifth 'P' of marketing by many scholars. As a marketing tool and a part of product strategy a well design packaging can create convenience and promotional value Various factors that have led to the growth of importance of packaging include, Self-service trend, Rising consumer affluence, Company and brand image recognition and Innovation opportunity. Developing an effective package for a new product requires to first of all establishing a

packaging concept, deciding additional and/or technical elements and harmonizing packaging with price, advertising and other marketing elements. After being designed it must be tested with Engineering, Visual, Dealer and Consumer Tests. Due considerations have to be given to environmental and social concerns in designing packaging along with the legal dimension. Labeling though separate from packaging, but is still considered a very important part of the overall packaging and product strategy. It can be a simple tag or an elaborately designed graphic that is a part of packaging. It can range from carrying only a price tag to a great deal of information, also largely incorporating legal compliance. The basic task of labels is to identify the product or brand. It might also describe the product and these days labels are also used extensively to promote the product or brand <sup>1</sup>

Packaging serves several safety and utilitarian purposes. It offers the protection to the basic product at the time of transit as well as sometimes when being used by the consumers. It also implements a company's marketing programme. It prevents the identity of the company's product and reduces the threat of competition as far as its substitution goes. Packaging serves as a salient sales person at the point of purchase. In case of some products to be used in several uses, packaging also helps in advertising the product as the label will advertise the product as long as it's being used. Sometimes the packaging is used as a unique sales appeal in the offer like a Bournvita Jar, which can be reused or Bisleri Seal bottle cap that offers the extra protection against the tempering of the Package water bottles. Management can package its product in such a way as

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<sup>1</sup> Ibid, P-54

to increase the profit possibilities. A package may be so attractive as the customer are ready to pay more just to get the special package although the increase in the price exceeds the additional cost of the package, for instance Cadbury and Nestle Rakshabandhan and Diwali packages. Also, an increase in the ease of handling or a reduction of in damage, due to packaging will cut the marketing cost and thereby increases the profit. Packaging today is recognized as a major marketing force in the struggle for market share.

The development of Super-store culture and Self-service concept, packaging is expected to do the job of a seller at the POP. Moreover in the era of shortage of Shelf space in stores, an attractive and effective package only will draw the buyer attention. Additionally packaging is an effective tool to show the social concern.

The trend among the leading FMCG companies is that of small packaging. The package size and the price of the product go hand-to-hand. The small packs are yielding handsome profits to these companies over last couple of years. The A C Nielson research shows that the small packs of five rupees across various categories have increased the profits by three percent last year alone, which aggregates to 2467 crores. The key price trend of Rs: 5 per pack, among the FMCG during 2004, has although recently changed in 2005 to Rs 10 per pack. The five rupee small quantity packs were a boom for the buyers with an average or below average income and for the companies to cover the huge price sensitive segment of Indian market. The poor and middle class people often find these small size packs not only fitting their budgetary requirements, but also matching with the need of the occasion, especially in case of

products like Shampoo pouches, Small food packets, Coffee and Tea packs etc. Another interesting fact about the small packs is that, they work in the market well when distributed through the retail of wholesale stores, but the same is not true in case of shopping malls, where people largely prefer to buy in big packs or quantity.

Companies have two major concerns for considering a package change – firstly to combat a decrease in sales and image as it happened in case of Cadbury Dairy Milk after insects were found inside the packs of that chocolate and company had to undergo a major internal and external change in the packaging especially the material used and secondly to expand a market by attracting new groups of customers. The company may want to eliminate a poor feature in existing package or want to take advantage of new material and it may further be used in the advertisement as a major selling appeal, for instance Medimix Soap that recently changed its green dull conventional package of its Herbal soap with a fresh combination of White-green to add more sophisticated and modern appeal to the product.

A company can decide to develop a Family packaging that involves the use of identical packages for all the products or the use of packages with some common features, for example Knorr soup packages or it can decide to have a Reuse packaging, for example a Bournvita offered in a glass jar that could be reused for filling other things later on. A company can also go for Multiple packaging like Taj Mahal Tea was offered in a plastic jar that stimulated the repeat purchase of the customers who were ready to substitute other tea brands for the sake of jars offered with Taj Mahal even though they

were basically not interested in the jars and the customer who wanted to have a collection or a set of jars for their kitchen on the other hand <sup>1</sup>

#### □ SERVICE

A Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product <sup>1</sup>. A company's offering to the marketplace often includes some services. This can be a) Tangible good with accompanying services, this is especially true in case of more technologically sophisticated generic products like, Television, Car, Refrigerator, Air Conditioners, Computers etc. b) Hybrid, which consists of equal part of good and services. c) Major service with accompanying minor goods and services, for instance a multiplex and d) Pure service, which consists of only a service without any product like that of a lawyer or a baby sitter. Here the main focus is on after and before sales services accompanied with durable goods. At the time of designing the marketing programs, Intangibility, Inseparability, Variability and Perishability characteristics of services are to be duly considered.

It becomes mandatory for the marketers to adequately provide the service they claim to provide in their offers and advertisements. Product servicing becomes more important to be paid attention to as the product becomes more complex and consumers become more dissatisfied, vocal and sometimes even aggressive in displaying their

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<sup>1</sup> Ibid, P-60

aggressions To cope up with problem, marketers have to establish several geographically dispersed company service centers, staff them with adequate well-trained employees and treat servicing as a separate profit center Another very effective option for the same is outsourcing the service function to some other agency by properly orienting their staff for the company policies and objectives of service and training them as and when needed <sup>1</sup>

Today the provision of adequate product servicing should be high on topics calling for managerial actions Quite often manufacturers and channel members fail to provide proper service for the product they sell and this results into post purchase dissonance for the consumers, which is difficult to cope up for both consumers as well as marketers The complaints of the consumers often go unheard even though a so-called complaint system exists This is very common in service industry, but manufacturing industry is also frequently is subject to the same negligence All these at the end result in a poor service, dissatisfaction on the part of the consumer and a downfall of reputation for the company

Gone are those days where consumers were submissive to the pre and post purchase negligence of the service by the service provider or dealer of a product The all spread awareness among the consumers because of the efforts the Government and Mass media, they are not only more alert in purchasing, but also not ready to compromise with any lack of effort from the part of dealer or manufacturer insofar the pre and post purchase service is

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1 Ibid P-60

concerned. These days not only the consumers are found to become aggressive and vocal and/or violent in some cases but also are seen not to be hesitated to take a legal action against the dealer or the company if the need be so.

Even Television channels now act to support the consumer grievances relating to the pre and post purchase product and service problems in case of durable and non-durables. A television news channel named Aawaz (CNBC) on receipt of a complaint from a consumer broadcasted the issue and made the consumer electronics company Whirlpool replace the parts and promise a new 350 lt Double door refrigerator that it could not repair or replace within the guarantee period.

Service is a part of the experience but not the same as it because experience encompasses attributes like packaging, ambience, physical evidence atmosphere, moments of truth and even the website and communication material of the organization.

For the provision of adequate service, a lot depends on the channel of distribution. These channels and the various level at which they operate often play an important role in determining the effective operation of the pre sales and post sales service provision. Some of the pre-sales services like informing the customer about the range of the product available and its prices and its prices and other features, display arrangements, packaging of the loose or bulk and other material and products, negotiations, financing, credit etc. and some of the post-sales service functions like, arranging for the adequate transportation and installation of the product, becoming the feedback

depots and providing repair and maintenance etc. are not only being performed by the channels but also are the part of value-delivery network and play a very important role in the success of the company as far as customer satisfaction and delight are concerned. Henceforth the selection of an adequate channel is one of the major considerations for the service provision.<sup>1</sup>

Support services that augment the actual product are called Product Support Services. This product support services are frequently utilized for gaining competitive advantage. Companies need to take care in designing their product and support services to meet the customer need profitably. The first step towards the same is to periodically survey the customers to assess the value of current services and to obtain ideas for new ones. Once the company has assessed the value of various support services to customers, it must next assess the cost of providing these services. The next is to develop a package of services that will both delight customers and yield profits to the company.<sup>2</sup>

#### □ *SIZE*

A product can be offered in variety of sizes depending upon the needs of consumers. Size and packaging can be viewed as complementary attributes to each other, because as size differs, the packaging also needs to differ. The quantity, type and quality of the packaging material largely depend on the size of particular product. On the other hand size as an attribute is also closely related with

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1 Ibid, P-54

2 Philip Kotler and Kevin Lane Keller, 'Marketing Management', Twelfth Edition, Prentice-Hall of India Pvt Ltd, New Delhi 2005 PP-254-255

Price. Just like packaging, as the size of a product (or quantity in case of bulk products) changes, the price also changes. These changes are separate in case of durables and non-durables. The product can be available in different sizes considering the customer needs like Bulk Quantity pack, Economy size or smaller size for convenience and trial offer. In fact the relationship of size with product attribute called, product variety also needs to be taken care off by the marketers from a consumer perspective. Offering the product in different sizes (quantity specifications) as per the customer needs, enhances the product range of a particular product category, which has its own benefits as discussed earlier within the attribute product variety.

From the customer point of view quantity specification or size of a product symbolizes Customer cost (price that customers have to pay for acquiring the product) and Convenience of acquisition of a product (ease of handling, using, transporting the product etc ).

#### ❑ *RETURNS:*

This relates to the satisfaction that customers derived from the product after using it. Thus it pertains to the product performance aspect on one hand and customer post purchase evaluation and response on the other hand.

The customer is fulcrum of marketing efforts. Every marketing activity and effort should have the one ultimate goal of customer satisfaction. The product attribute 'Returns' serves as an evaluative criterion for the customers to judge whether or not satisfaction is derived.

Customer satisfaction results if the perceived or actual performance of product matches with the expected or desired performance. In case a perceived performance falls short of expectations, dissatisfaction results and if perceived performance is beyond expectations, the result is customer delight. The post purchase evaluation helps customers understand and decide whether satisfaction has occurred or not. This on the contrary decides the fate of products and marketers because in case of dissatisfaction, there are chances that customers might stop using the product and / or switch over to competitors. On the other hand the same concept is key to retaining the customers i.e. satisfied and / or highly satisfied customers may stay with the company. Moreover 1) Retained customers by more over time if they are highly satisfied. Once customers have established a purchasing relationship with the seller or company, they continue to buy from the same, partly because of inertia. This on the other hand helps sellers to do cross selling and upselling. 2) The cost of serving a retail customer declines overtime. 3) Highly satisfied customers often recommend the brand and sellers to the other potential buyers. 4) Long term customers are less price sensitive in the face of reasonable price increases by the seller.<sup>1</sup>

Research indicates that there exists a positive correlation between satisfaction and willingness to pay and the impact of cumulative satisfaction is stronger in this respect rather than that of transaction specific satisfaction on willingness to pay.<sup>2</sup>

1 Philip Kotler, 'Kotler's Marketing', How to create, win, and dominate markets, The Free Press, London, U.K., 1999 P. 133

2 Christian Hamburg, Nicole Koschate, Wayne D. Hover, 'Do Satisfied Customers Really Pay More – A Study of The Relationship between Customer Satisfaction and Willingness to Pay', Journal of Marketing Research, AMA, Chicago, Vol XL II, Feb –2005, pp. 84-96

## □ WARRANTIES:

Product Warranties are explicit or implicit promises by the seller that the product will perform as specified or that the seller will fix it or refund the customer's money during a specified period <sup>1</sup>

The general purpose of Warranty is to give buyers some assurance that they will be compensated in case the product does not perform up to the reasonable expectations. The Expressed warranties are those that are stated in written or spoken words. Usually these were quite limited in what they covered and seemed mainly to protect the seller from buyer's claims. But in recent times because of the increase in the literacy rate, mass media spread, increase in the per capita income and Government support for the consumer awareness and protection campaigns have all led to an increase knowledge on the part of consumers than ever before from an educated upper class consumer to a below average poor class consumer. Consumers have started complaining about the dissatisfaction not only after usage of the product but also in case of pre-purchase experience. This has resulted into a broadening of the scope of the Warranty coverage recognizing the concept of Implied warranty. The implied warranty consists of an intended warranty by the seller although not stated explicitly in the form of words and/or statements. Manufactures are being held responsible even when the sales contract is between the retailer and the consumer. Warranties are considered to 'run with the product'.

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1 Ibid, P-54

Manufacturers are held liable for the product-caused injuries, whether or not they are blamed for negligence in manufacturing. At all adds up to 'Let the seller beware'.<sup>1</sup>

These days in addition to considering the seriousness of product warranty, manufactures and marketers are using the concept of warranty as a promotional tool in their marketing programmes and thereby to add functional value to the product, gain additional consumer support and acceptance and a competitive advantage. For instance Ondia had successfully used Warranty on its range of Televisions and other products extending four-year warranty during two Football world cup tournaments.

The implicit warranty statements often are subject to debates because the consumer has to establish his or her favour through the circumstances. For instance if the warranty statement includes that the A store is responsible to make a defect free product available to the consumer B and if the product undergoes a damage during transit, the consumer has to prove that the product has really suffered from a damage during transit and not because of the reasons for which he or she may be held responsible. In case of Explicit warranty on the other hand, there is no need to establish any such favour as such the moment the contract is entered into the confusions are clarified by explicitly written or mentioned statements, for instance, Replacement of a Television in case of a manufacturing defect within 1 year of date of purchase. In normal case if a consumer resorts to the Consumer Protection Act, 1986, he or she has to prove the damage caused to him or her due to manufacturing damage or lack of proper service.

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1. Ibid, P- 60

In fact all the attempts of Government towards spreading the awareness among consumers about their rights are much attribute to the movement of Consumerism that started coming into existence world over in sixties when companies started loosing the main focus of their business i.e. providing customer satisfaction better than competitors and just concentrated towards getting ahead of the competitors by hook or crook even at the cost of consumers. This resulted in a lot of social pressure on Government, which then forced the marketers to comply strictly with the consumerism. Consumerism is an organized movement of the consumers that seeks to protect the consumers from unfair practices of the producers and marketers and seeks to enhance the rights of consumers in relation to producers and marketers. Many marketing scholars including Peter Drucker take Consumerism as a 'Shame of marketing', which comes in existence only when marketers lack their basic responsibilities and hence the best way out to restrict the Government and consumers to resort to the use of consumerism is the sincere and diligent practice of marketing keeping customer satisfaction as a whole and sole focal point and directing all the other activities around it.

#### ❑ *RETAILER'S IMAGE AND MANUFACTURER'S IMAGE:*

In order to clearly understand the attributes of products related to the image, a precondition is the understanding of the concept of perception. Perception is a process by that helps individuals to select, organize and interpret their sensory impressions in order to get a more coherent picture of the world. The way consumers perceive the objects, events, persons and things largely depends on

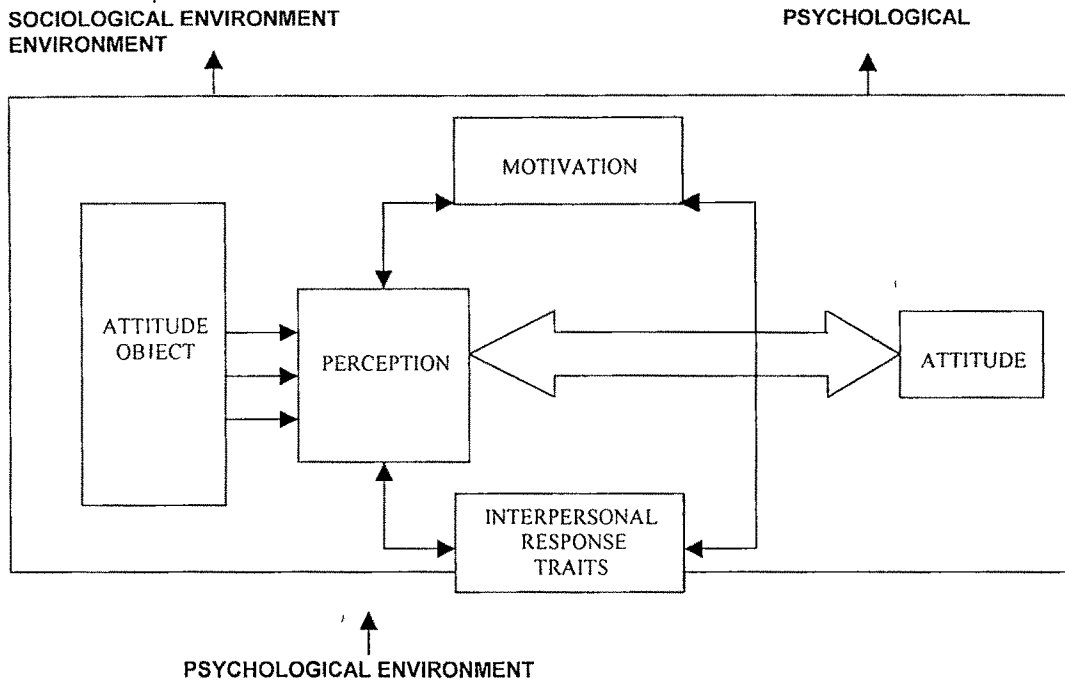
their attitude about the same. It is through their perception, experiences and attitudes they form images.

Consumers develop images of products, brands, stores, prices and advertisements, which directly influence purchase decision, behaviour and consumption. From a marketing standpoint, the consumer experiences are equally or even more important than the physical world contains. Perceived objects are non-existent entities in the outside world that have the characteristics, which we experience in them. Consumer perceptions and their images of the companies/manufacturers, brands and products rather than actual physical characteristics of goods and services are critical considerations in purchase behaviour.

Images result from the experiencing of objects and all that pertains to them either by way of memory or by way of association with some modality that is being activated through its own sense organs. The image is representation in the brain of some sensory experience received from a variety of sources, including advertising, salesmen, packaging, price, retailers and opinions. When brands, products, store or manufacturing company's name experienced by the senses, an image is elicited that can be most influential in consumer decision and behaviour. The following is a general process of attitude building that helps in comprehending as to how the images are formed.<sup>1</sup>

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<sup>1</sup> William Lazer, Marketing Management, A systems perspective, John Wiley & Sons, Inc. New York, USA, 1971 P-469-471



Adopted from William Lazer, Marketing Management, A systems perceptive, John Wiley & Sons, Inc New York, USA, 1971 P-469-471

Product, brand, store or company/manufacturer/corporate advertising is used to create three types of images

- 1) Images that give a subjective feeling – images created whereby a person, upon hearing or seeing the name, feels that it is his kind of product, store or manufacturer and becomes self-involved.
- 2) Images that created an objective feeling, whereby the person does not become involved with the product by self-identification, but a mental picture is created in terms of arguments, moods, values and rewards so that the person recognizes that the product is acceptable to him

- 3) Images that are literal in the sense that they convey an appropriate symbol, picture, or representation of a product or manufacturer/company

The images consumers hold for manufacturers and retailers or the stores affect their buying behaviour because sensory impressions result in consumers' attributing distinct personality characteristics to retail units and companies. Some stores reflect bargain basement, discount atmosphere, whereas others reflect an atmosphere of elegance, luxury, affluence and sophistication. Consumers choose to buy from stores and purchase brands consistent with their own personality. Even when consumers have no contact of the retail store, they can project an image of the store based on advertising. Consumers also visualize the type of treatment they will receive in various retail stores and attribute positive or negative personalities to the outlets.<sup>1</sup>

The image held by manufacturing companies help consumers in building trust in not only the product alone, but also the retailer (largely exclusive ones), service and overall experience. Consumers would not hesitate in trying the other products of a manufacture they trust and think has a good image. The other benefits available to the companies as a result of carrying a good image are: a) consumers will readily accept the new products introduced by a manufacturer they trust, b) the companies can utilize this reputation held by it to extend its product line and even to diversify, c) companies can license their names and earn good opportunities etc d) Research

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<sup>1</sup> Op Cit p 87

shows that consumers generally have favourable perceptions of pioneer brands, even after the subsequent followers become available. Research also shows that there is positive correlation between pioneer brand image and an individual's ideal self-image, which suggests that positive perceptions towards pioneer brands lead to positive purchase intentions <sup>1</sup>

The options available to the companies for enhancing their image these days include corporate advertising, sponsorships of sporting and other events, exhibits and the like. Both product/service advertising and corporate image advertising should be conceived as integral parts of the integrated corporate communication programme

The promotion or communication advantages derived by a form channels extends far beyond merchandising and display of product materials at the shops or points of sales. The store itself can be projected as a display unit and a communication tool for the company. More and more companies today are realizing this position and they are concentrating their attention on the store image of their retail shops. The role of the channel as a whole has changed, as the retail sales points do not merely remain outlets from where the products flow out, but they have become effective communication medium as well through which the company can communicate with its target audience and consumers. It is a fact that consumers patronize certain stores and they discard certain others. Marketers should understand the communicative significance of the retail outlets and the factors that influence consumers in their store selection decisions

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1 Frank Alpert & Michael Kamins, 'An empirical investigation of Consumer Memory, Attitude and Perception toward Pioneer and Follower brands', *Journal of Marketing*, 59, October, 1995, pp-34-45

It is not uncommon practice on the part of consumers to buy from only some particular stores and places of their choices. Moreover they need not have concrete reasons for the same. They may just do it because they like a particular place to shop from, or they may feel that the range available at some stores is better than others, or the prices are reasonable or cheap, or quality is good, or the ambience is nice, or the service provided by the store has an edge over others etc <sup>1</sup>

Just like a product, a store also projects an image of its own through various factors like, the location of the store, the external and internal ambience, the point-of-purchase experience, display skills, the product variety, the sales people and other staff in the store, the type and quality of service it offers, the price at which it offers it, the image or reputation it carries in the society or neighbourhood and last but not the least the number and the type of customers who patronize the store. The last factor that is patronizing a particular store depends largely on the demographic, sociographic and psychographic characteristics of the customers. For instance a young female buyer who believes in the western cultural values and who finds herself running short of time or who wants to show pretend on others the goodwill of buying from a reputed store or who wants to enjoy shopping even convenience items like Soap and Toothpaste would like to buy from a modern super store rather than a traditional grocery neighbourhood retail or provision store. The extent of merchandise carried in the store also helps to project its image in a favourable manner. Customers normally do not like to patronize a store keeping poor range of products or the one which often runs out of the stock and results into a waste of time and efforts of customers.

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<sup>1</sup> Ibid, P 87

They would like to visit a store that displays a good stock that conveys the look of abundance and variety. In addition to these physical features offered through store, sales personnel in the store also are important source of communication and crucial to the receipt of an overall good buying experience to the customers. Well-trained and well-mannered salesmen add value to the store itself.

These store level merchandising including dealer activities, display and service determine how rapidly and effectively the goods move from retailer to the customer. Moreover the store display is a major factor affecting the customer to switch over to a brand only because it is visible. The important role played by a store in clinching a sale highlights the significance and potentials of a store as a medium for communication to the customers. The store choice largely depends on what the store communicated to the consumers. In fact store choice is the result of the process that consumers undertake to compare their perceived store characteristics and/or benefits that the store offers to them with the evaluative criteria of a good or right store that they carry in their mind. Consumers work out four steps with a view to making a store choice: 1) formulation of evaluative criteria, 2) going through perceived characteristics of the given store, 3) comparison of stores and 4) decision regarding acceptance or otherwise of a store. The past experience consumers have from a store also determines whether to visit a store again or not. These are the reasons for which marketers should assure a good shelf space for their product and undertake dealer level promotion effectively. In certain cases, the very name of the store or its category quickly triggers off in the mind of consumers the required responses and the

decision. For instance consumers have some predisposition and associations for the store as per their categories like, a provision store, a super market, a cooperative store, a discount store and exclusive shops. In other cases, the mind of the consumers is able to shift the criteria as per the store characteristics for the purpose of making the store choice.<sup>1</sup>

In any case a conscious marketing effort is to be applied by the management to develop and convey a good and desired image including that of the stores.

The latest trends have been showing a paradox to the normal expectations emerged from the developed modern shopping culture. Unlike the west the Indians are used to high levels of service and hence neighbourhood stores play a crucial role and will remain relevant in the future also. The convenience stores however will have to increase their range, service levels and displays. These trends on the other hand do not at all mean to say that there is no scope for the development of superstore and chain retailer stores in India, on the contrary Indian customers are ready for modern retail formats.

The early adopters in new categories are now shopping in modern retail formats. For instance there is a high likelihood that customers will try out the new categories like body washes, fruit juices and international food items in large format stores.<sup>2</sup>

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1 V S Ramaswamy & S Namakumari, Marketing Management, Planning, Implement & Control, Indian Context, Macmillan India Ltd Madras, 1992, P- 249

2 Selective Shoppers, The Strategist, Business Standard, Ahmedabad, 21<sup>st</sup> March 2006

Some of the quotes from some of the business world people help in revealing the present day scenario of consumer attitude and behaviour pertaining to stores and retailing According to J H. Mehta, COO, Spencer's – Indian buyers are displaying a buying behaviour similar to the west, but soon shopping will be the sum total of shopping from various formats like neighbourhood and hyper destinations, particularly monthly grocery According to Raghu Pillai, President and Chief executive, Operations & Strategy, Reliance Retail – The American is more mature retail market than India There is an increasing trend towards newer, more modern shopping formats, particularly in urban India But it is still a trend and not a dominant form of delivery According to Arvind Singhal, Chairman, Technopak Advisors – A lot has been romanticized in India about the efficiency and cost effectiveness of neighbourhood grocer While the consumer continues to shop at the so-called neighbourhood specialty stores, he would rather economise both on money and time by shopping at a Big Bazaar or Shoprite or a Spencer's According to R Subramanian, Founder & Managing Director, Subhiska Trading Service – the Indian consumer is extremely conscious about the value and arbitrage, much more than any other market You want to go to a mall to chill and pick up a trinket or two – not to buy a toilet cleaner and lug back 45 Kg of provisions! <sup>1</sup>

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<sup>1</sup> Op Cit P 93