Institute Of Management Technology
Ghaziabad

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January – February '07

# markzine

Fuelling thoughts..

# editors' desk

Dear Readers,

We feel proud to have the opportunity to edit mark-e-zine. Before stepping into this new attire, we thank Kshitj Shah and Srinath Sridhar for having set remarkable standards for us. We also thank Ashish Joshi and Arvind Balan who conceptualized mark-e-zine and saw through its birth.

As we welcome the spring with clear blue skies, fragrance, flowers and the colors of holi, let mark-e-zine add some more color, make your days a little bit brighter. In every edition of mark-e-zine we try to bring to you some new perspectives and ideas. Same has been our efforts this time too. But accept our sincere apologies for not being able to bring to you the 'Industry Interface' this time.

In our endeavor to provide you with an interesting read made up of articles written by our own batch mates, professors and alumni, we request for your continued support and co-operation. We hope to live up to your expectations and continue bringing out many such editions in the months to come.

*(Aritri Chakraborty & Urmila Shenoy).*

**We will appreciate your feedback, suggestions and queries. Do mail us at markup@imt.edu.**

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# letters

Dear mark-e-zine Team,

mark-e-zine has undergone great improvements since its first issue. Keep up the work.

What are your future plans for markezine? It would do great if you are able to come out with a print issue of the same.

Best Regards

Rajiv Karwal
*(via email)*

---

**Dear Mr Karwal,**

We thank you for going through the various isues of mark-e-zine. Your interest has boosted our ethusiasm to further improve the quality of the magazine in subsequent issues.

Our future plans for the magazine include taking out a print issue as well, apart from making it an international affair. Your suuport, and the support of all readers, will me vital for reliasing our dream for mark-e-zine.

Your feedback is important to us, so please keep writing. We promise to continue to bring to you better issues of mark-e-zine.

Best Regards,

Team MarkUp

# index





guru mantra

# Measuring Marketing Performance: Art or Science?

**Abstract**: Marketing performance has traditionally been measured by marketing metrics though there is an increasing need from board members and shareholders to evaluate and communicate the financial consequences of marketing efforts. Conceptual frameworks have been proposed and at a tactical level, ROI metrics are being developed and used for marketing programs based on specific industry requirements. There is however a need to 'operationalize' and empirically develop linkages between marketing efforts and financial measures.

"MISGUIDED MARKETING STRATEGIES have destroyed more shareholder value—and probably more careers—than shoddy accounting or shady fiscal practices have. In almost every industry—telecommunications, airlines, consumer products, finance—it is easy to point to poor marketing as a major cause of low growth and declining margins." (Bringing Customers into the Boardroom, Harvard Business Review, Nov2004, Vol. 82, Issue 11)

Marketing performance has traditionally been measured by metrics such as market share or sales, profits and other goals established in the firms annual plan. Efficiency of marketing programs has been measured by analyzing profitability by product, territory, customer, segment, order size. Some of the metrics for measuring efficiency of sales force, advertising, sales promotion and distribution are average number of sales calls per salesperson per day, average sales call time per contact, advertising cost per thousand (CPM), awareness levels created, percentage of sales sold on deal, display costs per sales rupee, logistics costs as a percentage of sales. However, there is increasing pressure on chief marketing officers (CMO's) and the marketing team to establish the effect of marketing strategy on firm's financial performance (ROI/ROA) and shareholder value (SHV). The problem is that marketers are unable to determine the effect of "brand equity" or "consumer awareness" on the firm's bottom line. For example, if the price of a product is reduced, the marketing metric used to evaluate its effect is sales increase though the impact on firm's profitability may be negative depending on the price elasticity of demand and the firms operating margins.

This has led to efforts to link marketing performance metrics with financial performance. Though the linkage between everyday marketing metrics and its financial consequences have been established in the short run i.e., effect of a marketing campaign on incremental sales and market share, the effect on the bottom line and firm valuation still need to be established.

**Frameworks for linking marketing efforts to financial performance:**

One conceptual framework has attempted to link market based assets (for exp. customer relationships, channel relationships and partner relationships) with firm's financial performance

Mr Rajat Gera

*Rajat Gera is a B. Tech. in Agriculture Engineering from Allahabad University and a PGDRM (Marketing and Finance) from IRMA, Anand. He has more than six years industry experience in FMCG and commercial horticulture sectors in the functions of Sales and Marketing, Procurement and Materials Management and Office Administration.*

*He has over five years of teaching experience at postgraduate and undergraduate levels in reputed management institutes. He has guided sixteen research projects for students of Masters in Business Management of Nottingham University, UK. He has published several papers in academic refereed journals.*

(Srivastava et al, Journal of Marketing, Vol. 62, Jan-1998). The framework assumes that the purpose of marketing is to create and manage market based assets to deliver shareholder value. The purpose of the same is to bridge the marketing-finance divide and communicate the financial value of marketing efforts to the non marketing functions and the board room. Market assets which are off balance sheet, external and intangible are classified as relational (customer and channel equity) and intellectual (facts, perceptions, beliefs, assumptions and projections about the market) assets. The framework attempts to link the effect of these marketing assets on customer behavior (faster trials/referrals/adoption, price premium) which is then linked to key drivers of shareholder value (accelerated cash flows, enhanced cash flows, reduced volatility and vulnerability of cash flows). The framework however needs to be operationalized, for example how to assess whether a marketing campaign would lead to increase in SHV and how to allocate resources accordingly.

Another conceptualization has attempted to establish how marketing actions (investment) link to customer equity and financial return (Rust et al, Journal of Marketing, Vol. 68, Jan-2004). The model views marketing as an investment that produces an improvement in a driver of customer equity which leads to higher CLV which can be assessed based on return on marketing investment. Marketing expenditure categories, or drivers i.e., advertising awareness, service quality, price are identified and rated by customers on brands perceived performance on each driver. An estimation of rating shift that will be produced by a particular marketing expenditure is calculated. For example, an advertising expenditure may increase switching matrix. This in turn results in improved CLV which when summed across all customers leads to increased customer equity. ROI is then calculated as ROI= $(\Delta CE-E)/E$, where E is discounted expenditure steam and $\Delta CE$ is the improvement in customer equity that the expenditure produces.

**ROI based marketing**

At a tactical level ROI (return on investment) marketing has been defined as revenue traceable to the *marketing* effort divided by the investment made. ROI marketing has been hailed as a marketing management philosophy that requires changes in organizational design and business processes to optimize marketing decisions. It involves the use of new metrics and computer models to analyze and quantify marketing spend and ROI. Some methods of measuring the same are

**1. Percentage ROI:** which is calculated as [(Returns - Expense)/Expense] x 100.

Thus if we spend Rs 20,000 on a *marketing* campaign that results in Rs50,000 worth of new business (exclusive of current *marketing* share ), the percentage *ROI* would be 150%. This example uses straight revenue to determine *marketing ROI* though contribution margin or profit may be required to measure the same which would lower *ROI* and may even present a negative result.

**2. Ratio: It is measured as returns/expenses**. The marketing campaign mentioned in example above would have a ratio of 2.5:1 i.e., every Rs1 invested yielded Rs2.50 in returns (excluding cost of staff). The break-even or payback period would then be a little more than nine months, or 274 days. The 12-month *marketing* campaign becomes profitable in a little more than nine months from its initial implementation.

The implementation of the concept varies with industry. For example, in the telecommunication sector, Booz, Allen consultants improved the profitability of a telephone company's business customer segment by encouraging customers to renew their contracts by measuring two metrics i.e., customers "change-in-spend" and "churn rate". For example if it costs the company Rs 2000 to acquire a new customer and the customer produces Rs 1500 contribution over one year, the customer becomes profitable only if he is retained for the second year. Therefore, company's profitability increases if the customer is retained even at lower priced calling plan.

There are, however, challenges in implementing the concept at both strategic and tactical levels. The most significant challenge is of linking marketing investment (expenditure) to marketing outcomes and financial measures. How to link financial performance measures to SHV also needs to be resolved. Using a CLV based approach to measure customer value seems to be most appropriate though it involves calculating retention probabilities and requires allocation of marketing expenditures as acquisition or/ retention costs which is challenging.

nuggets!

If the circus is coming to town and you paint a sign saying "Circus Coming to the Fairground Saturday," that's advertising. If you put the sign on the back of an elephant and walk it into town, that's promotion. If the elephant walks through the mayor's flower bed, that's publicity. And if you get the mayor to laugh about it, that's public relations. If the town's citizens go the circus, you show them the many entertainment booths, explain how much fun they'll have spending money at the booths, answer their questions and ultimately, they spend a lot at the circus, that's sales.

- anonymous

# experience speaks

Mr J S Duggal
Missouri Southern State University
USA

*Dr J S Duggal, Missouri Southern State University, USA in an exclusive interview to Team MarkUp, highlighted the need of change in the Indian education system. He was in India for a vacation. Mr Duggal holds a doctoral degree in Engineering Education and a Professional Engineer's License. Originally from Allahabad, he has been associated with the MSSU for 10 years now and has been the Dean of Mathematics, Science and Technology in a Community College in the past. He has been a longstanding member of American Society for Engineering Education and coordinates the Computer Aided Design and Drafting Engineering Technology (CADDET) program.*

***MarkUp:*** Please describe your journey from India to the MSSU?

***Mr Duggal:*** After obtaining my basic engineering degree from India, I did my MS in Canada and then my doctorate in Virginia, New Jersey. Later, I joined the MSSU as a faculty for the Engineering Department and have been with them for ten years now.

***MarkUp:*** What is the main difference you see in the academic approach of your university and the Indian Universities?

***Mr Duggal:*** The main difference in the academic system is the equality and the camaraderie that exists between the faculty and the students. There, education is more of a two directional process than a unidirectional approach. There is more emphasis on discussion and interaction. A hands-on experience is of vital importance. A practical approach always helps in the formation of a stronger base and this fact is highly emphasized upon in the American education system. This culture needs to be brought to India too.

Also, education is not a compulsion but a matter of choice. There is no age barrier on when you decide to opt for a degree. A few of my students are in their fifties but show the same level of interest in the subject as a teenager and are able to grasp certain aspects much better. In India, most people think its too late to learn after a certain age.

***MarkUp:*** What is the one thing you would like to incorporate in the education systems in India?

***Mr Duggal:*** As I mentioned above, the fear or the lack of equality between the faculty and the students has to be overcome. Hands-on approach is also something that the Indian universities have to adopt to further enhance the level of knowledge of the students passing out from the universities.

***MarkUp:*** Mr Duggal, would you like to leave any message for the students of IMT?

***Mr Duggal:*** My message is for the entire student's community in India. Look at things in a different way, look for ideas and opportunities in simple little things. What is the use of doing something everyone does? Look for creative opportunities in emerging industries and businesses. And communicate your thoughts.

# mark-o-meter

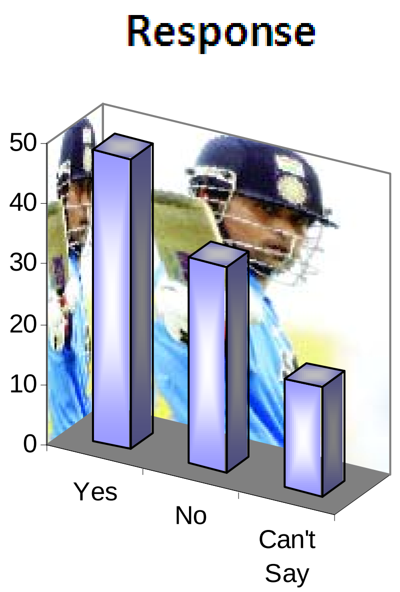
1. Expand BENQ?
2. What does sports wear brand Nike means?
3. What was first produced for the first time in late 1768 in Edinburgh by Colin Macfarquhar, a bookseller and printer, and Andrew Bell, an engraver under the pseudonym 'Society of Gentlemen'?
4. Connect Lexington, Charlemagne, Bagehot and Buttonwood.
5. What was founded in Rochester, New York in 1851 as 'The New York and Mississippi Valley Printing Telegraph Company'?
6. What was started by Charles Lazarus in Washington DC, during the post-war baby boom era in 1948 as a baby furniture retailer known as Children's Supermart?
7. Dietrich Mateschitz and Nina Avery traveled to Thailand and saw that the tuk-tuk (rickshaw) drivers drank a substance to keep them energized throughout the day. After some alterations to the recipe, and a flavor modification, they launched the product for the public in 1985. Identify this product.
8. What was initiated by Dave Hyatt and Blake Ross and was originally titled Phoenix, but was renamed because of trademark issues. It today bears a completely different name. Identify this.

***Know your marketing mettle : Answers on the last page***

# mark-o-poll

Do you think the poor performance of Indian Cricket team affect the brand image of sponsors?

| | |
|---|---|
| Yes: | 48% |
| No: | 34% |
| Can't Say: | 18% |



the other perspective

## SEZ: Money Maker or Money Drainer…

Ms Vinita Aggrawal

*PGDBM (IB) 2006-2008*

Mr Alok Kumar

*PGDBM (IB) 2006-2008*

Today almost every company faces one basic question: whether to invest (or open a unit) in SEZs or not? The policies are very attractive but at the same time risks are also very high. In this article we will try to understand why this huge interest in SEZs and what are the risks involved in entering this big game.

**Definition:**

A SEZ is a democratically distinguished zone formed to boost investment in the economy and to accelerate the growth rate through export promotion. The units set up in these zones get huge tax benefits and exemptions from various duties like custom duty, excise duty etc tempting investors to set up units in these areas.

The basic objectives of SEZ and the rationale behind setting up the SEZ as explained in *Chapter II*, *section 5(I)* of The Special Economic Zone Act, 2005 are:

| | |
|---|---|
| a) | generation of additional economic activity |
| b) | promotion of exports of goods and services |
| c) | promotion of investment from domestic and foreign sources |
| d) | creation of employment opportunities |
| e) | development of infrastructure facilities; and |
| f) | Maintenance of sovereignty and integrity of India, the security of the state and friendly relations with foreign states. |

The concept of SEZ was introduced in India on 1st April, 2000 after which the existing export promotional zones were converted into SEZs. Later on hundreds of private players rushed in to get the approval from the Board of Approval (BoA) for setting up SEZs. Some of them were Reliance, DLF, DS group, Suzlon, Videocon etc. The popularity of SEZ-centric growth policy being adopted by countries is apparent from figures itself-From 176 zones (47 countries) in 1986 to more than 3000 (116 countries) zones in 2003. The scene in India is not much different. Currently there are 63 notified SEZs. Board of Approval (BOA) has approved 237 projects of which 162 have been approved in principle. A study says investment in the construction of these SEZs could be between 10–17% of India's GDP. According to data available, India has 11 functional SEZs with 811 operational units. These provide employment to more than 1 lakh persons, totaling export of over 18309 crores.

**What makes SEZs attractive for investment?**

The new SEZ law has made the SEZs attractive by offering exemptions from a bulk of taxes and other benefits.

1) The industries in the SEZ enjoy 100% tax holiday from corporate tax for the first 5 years, 50% tax exemption for the next 5 years and 50% exemption of tax on the profits ploughed back for

another 5 year period.

2) In addition to this, in case of the relocated units exporters can claim capital gains tax exemption; such units will be eligible for tax breaks even if they aren't really fresh capacities.

3) Duty-free imports into the SEZ.

4) SEZ units can raise funds from the international market through external commercial borrowings of up to $500 million a year.

5) 100% foreign direct investment allowed for SEZ manufacturing units.

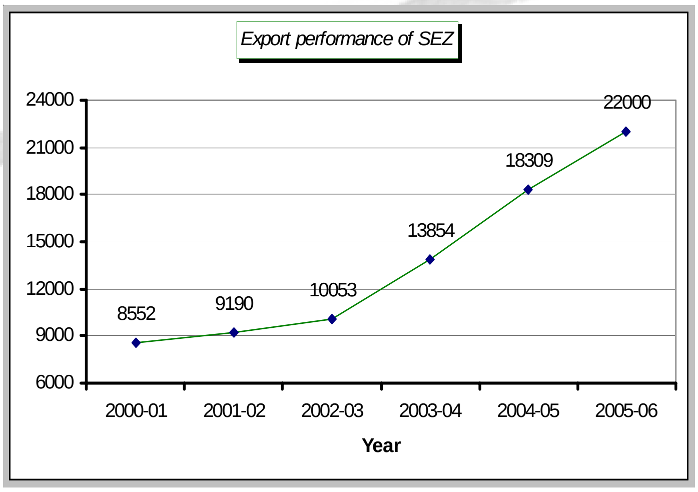
6) Better infrastructure facilities and other utilities.

7) Standard plots, the lease of which may be extended at relatively cheaper rates.

8) Liberal regulatory controls, cheap labor and other locational advantages.

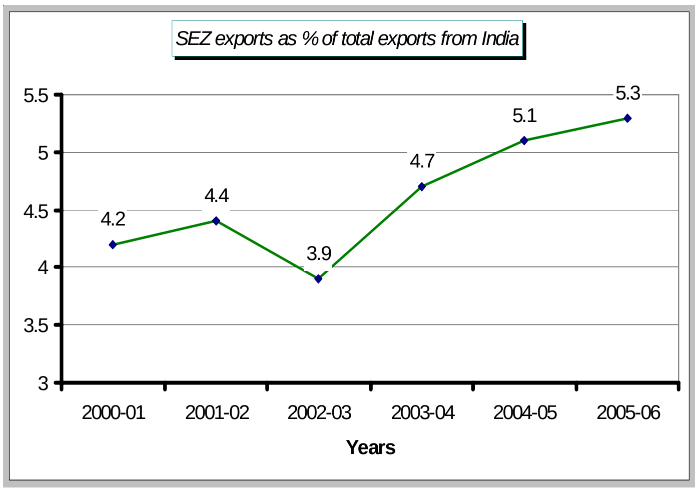
**Will they really help in promoting exports and attracting FDI in India?**

Performance of these SEZs in India can be observed through the following chart.




*Export performance of SEZs since 2000*

Exports from SEZs grew by 16.4% across 2000-01 to 2004-05 and by 20% from 2004-05 to 2005-06. In the same period, total exports in India grew by 12.1% and 15% respectively. The figures looks attractive and we are expecting a lot of investments, anywhere between Rs 3,30,000 crores to Rs 5,50,000 crores. But is the performance actually at par with the expectations? While the exports from




*Source: Special Economic Zones – Engines for Growth, CII, May 2006*

SEZs over the period has actually doubled but the share of exports from SEZs in the total exports of the country has only increased from 4.2% in 2000-01 to 5.3% by 2005-06. SEZs account for merely 1 per cent of the total factory employment and less than 1 per cent of total investment in the country.

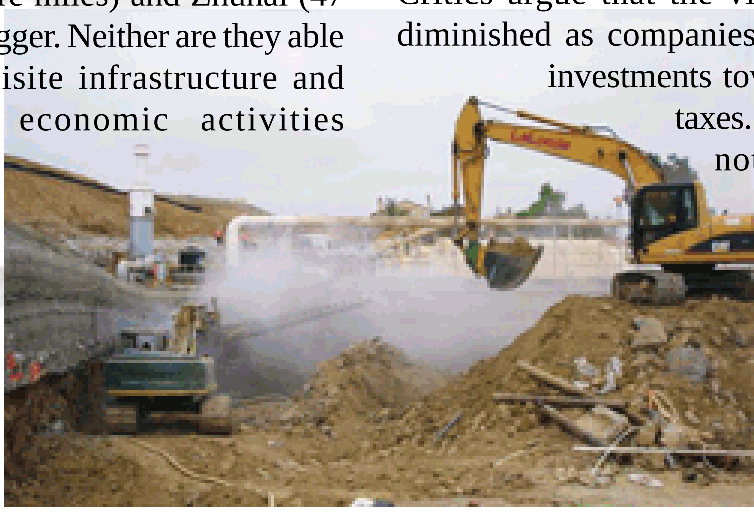
Hence long term viability of SEZs is doubtful. A similar thing happened with EPZs before the SEZ policy was introduced. The main objective of EPZs was to promote exports but they were not able to achieve any significant success mainly due to liberalization. As the Indian economy opened for outsiders these zones lost their attraction, and the same can be the fate of SEZs.

The motivating factor for India to come up with SEZ policy was its success all over the world, especially in China. China attracts nearly an average of $45 billion of foreign direct investment per year as compared $2 billion by India. Indian Government hopes to attract more than $5 billion in foreign direct investment by the end of 2007, hoping the private sector will make a big contribution towards the $320 billion-worth of investments in infrastructure that India is looking for in the next five years but this figure although very optimistic is nowhere near what China attracts in form of FDI.

Now we enumerate the reasons why India's SEZs are not as successful as China's:

Firstly, India's SEZ are very small in comparison to China's. In China each SEZ is well over 1,000 hectares, the minimum recommended area. According to the new law, SEZ zones need not be more than 1,000 hectares in size for multi-product zones, no more than 100 hectares for product specific zones and 50 hectares for special category states. Infact SEZs built for information technology, biotechnology and jewellery can be as small as 10 hectares.

Amongst the EPZs converted into SEZs the one in Noida is the largest but extends only 310 hectares. The SEEPZ, the first SEZ in India, is only 93 hectares, while three largest and most successful SEZs in China namely Shenzhen (126 square miles), Xiamen (51 square miles) and Zhuhai (47 square miles) are much bigger. Neither are they able to make available requisite infrastructure and services nor are multiple economic activities undertaken.



Secondly these SEZs have almost no locational advantage as was the case with China and others. Most importantly the rigid labor laws of India have been untouched, which the companies feel should have been changed to attract more investment. These features make Indian SEZ less attractive as compared to China.

**Other hurdles**

Large scale requirement and acquisition of land is also one of the major problems. Being a democratic country the lands from citizens cannot be simply taken away. NGOs and other public will raise their voices if any violation of human rights is done. The incident at Singur (west Bengal) is one such example where protest and unrest was mainly due to the land acquisition by the state government for setting up the Tata Motors' factory.

In addition to that, a large part of land under such proposed zones falls under cultivatable land, making things worse. In any proposal there is on an average 20% land under the cultivable area. Some of the farmers don't want to give up their land. Also there is issue of rehabilitation of those people whose land has been acquired and to providing them with alternative employment.

The mode of finance through loans is costlier in India. When compared with China, where the interest rate is 4-6%, in India it is much higher at 11-13%. Recently Reserve Bank has directed the banks to treat the loans given to SEZ developers as "real-estate" lending, closing the chances of lower interest rates.

Critics argue that the viability of SEZ will be diminished as companies will start routing their investments towards SEZ to save their taxes. This means that these are not fresh investments as these investments would have been done anyway. In such a case government is in danger of losing its revenue it may be earning through tax and duties etc. the overall loss of revenues is estimated to be around 1750 billion rupees by the end of 2011. This trend will be aggravated by the fact that existing tax exemptions for export oriented units (such as software technology parks) will expire in the year 2009 and most of these industries will be looking to shift their operations into the SEZs built, to extend their tax holidays.

Further there are many legal hurdles for SEZs (like denial of right to elect, birth and death records in private hands, etc.), and these are yet to be resolved. As the SEZs are "specifically delineated duty free enclaves and shall be deemed to be foreign Territories" so these issues are bound to come up.

**Conclusion:**

The detailed analysis of present scenario leads to the conclusion that the way government is handling SEZ issue is not appropriate and needs a drastic years down the line. Its better that we fix up the problems (like land acquisition, size of such zones, private participation, etc.), and move ahead with more confidence and better chances of good results. Companies should wait for some more time before they invest in these zones as the future return from these zones is not clear, only big companies with deep pockets can effort to take such risks.

nuggets!

"Advertising is of the very essence of democracy. An election goes on every minute of the business day across the counters of hundreds of thousands of stores and shops where the customers state their preferences and determine which manufacturer and which product shall be the leader today, and which shall lead tomorrow."

- Bruce Barton

student's corner

# Branding!

Every single living entity in the business world has a brand. At the heart of a successful brand is a product or service. Brands happen when a company takes its first breath. When it opens its doors, sets the sales troops loose on the battlefield, prints the business cards, and handles the first stressed-out customer, it is developing a brand. The most distinctive skill of marketers is their ability to create, maintain, enhance and protect brands.

Building a strong Brand requires detailed planning, vision and a great deal of long term investment. A brand is a seller's promise to deliver consistently a specific set of features, benefits, and services to buyers. "Brands" convey benefits, values, and personality. The brand is the by-product of all of one's actions — the sum of what an organization, person, or product does. How you behave, communicate, and respond to the unexpected are part of your brand.

Marketing is branding. The two concepts are so inextricably linked that it is impossible to separate them. Branding is bestowing products and services with the power of a brand. Branding is all about creating a difference, making a difference and communicating the difference

**You have to know it before you grow it**. All brands need good parents; unfortunately most brands come from troubled homes. Relevance, simplicity and humanity will distinguish brands in future. Smart Brands are more concerned with Brand relevance & Brand resonance.

**Great branding takes balls. Here I am not talking about a** body part, but an attitude available to both male and female business leaders. Guts, gumption, and fearless fiber — got to have them to get the big brand glory.

The tragic news is that most brands don't know who they are, where they have been and where they are going. An awesome brand knows who it is, owns uniqueness, connects with folks who want what it has, delivers an unbelievable experience, and tells the world over and over in a consistent manner.

**If your branding is not strong enough, strengthen it, Brand it better.** Singing the same old tired tunes which our competitors do will encourage the market to change the station. The possibilities in branding are endless so must plan our branding strategies with innovation and differentiation. The combinations are infinite. Innovation is everywhere.

**If you're following the textbook, throw it away.** Today a new breed of "passion brands" have reversed the traditional marketing approach of finding out what customers want in order to deliver it. Based on marketing that appeals to the heartstrings, passion brands start out a product or service that inspires the producer. The producer then asks the market "do you want to buy into this?"

**If your Brand isn't working, change it.** Look at different perspectives of your Brand. Start with your Brand (Is it compelling?), reconsider your brand

Mr Sandeep Puri

*PGDBM (Executive) 2006-2007*

***"How you behave, communicate, and respond to the unexpected are part of your brand"***

name (Is it memorable?), Check your Packaging (Is it different?), these are just a few places to look. Creativity will land your brand. Conformity will kill it. Choice is yours. Leave the comfort zone. Blaze the path less traveled. A rocket uses half of its fuel in the first mile to break loose from gravitational pull—Here we may need to polarize our people.

**Five steps to get it right.**

- Although you may do fewer things, do BIG things when you do them.
- If your positioning isn't working, move it
- If your image isn't working, re-orientate.
- If no one's done it before, move faster.
- If your positioning isn't working, move it.

Protect the integrity of who your brand is, but then build relationships by creatively expressing your essence (purpose, position, personality, promise) and then create lasting loyalty with your confident distinction.

nuggets!

Authentic marketing is not the art of selling what you make but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profits to the producers and benefits for the stakeholders.

- Philip Kotler

from our classroom

# Secret of Selling Online

This is the first question occurring to anyone who has ever attempted to market a product or service via the Internet. Some say that communication is the key factor in making a sale, while others argue that looking for the right product should be the primary goal. In reality, both these options are correct, and there are a few more tips that can be practiced to help one succeed in the world of online sales.

How many of us really know about FIRSTANDSECOND.COM? It is an India's biggest bookstore (Headed by an IMT alumnus) but half the masses don't know about its existence. One of the major factors to be blamed for such poor awareness about the site is communication. An online survey conducted showed that out of 123 respondents (All students of different B-schools) only 11 knew about firstandsecond.com. This highlights the flaws in the strategy of firstandsecond.com, and also the importance of communication in online selling. One challenge that companies involved in online selling face is to search for right medium for the target set of customers.

A user-friendly website is essential. Navigation should be smooth, and categories featuring your products should be clearly identified and easy to browse through. Fonts should be large and simple to read. Customers better be provided with crisp, quality images equipped with descriptive details. Also make sure that the images load quickly; customers are bound to leave if they get tired of waiting. It is crucial for you to display your 'privacy policy', usually on the homepage itself, of your website. This assures customers that you will never sell or trade the information they have given you with a third party. You should provide a link in your categories section for your 'shipping and return policies' as well.

Selling online revolves around a viable marketing plan. There are numerous ways to market your product online, with many of these choices very reasonably priced. To sell, you must advertise. Buy links on high traffic websites that are similar to yours. Advertisements that target a specific group of individuals are a certain way to increase sales. You may also want to consider out-of-home advertisements. These ads are expensive, but are a proven method of leading customers to your online store. Your advertising campaign does not have to be entirely devoted to the web. Make your venture known through newspaper ads, newsletters, and brochures. Your website address should be clearly posted with a brief description of your product, and a catchy title enticing customers to visit.

Excellent customer service is also a necessity. Inquiries from customers should be answered quickly, within a few hours if feasible. It is beneficial to have a frequently asked questions (FAQ) page on your site. It is up to you as the seller to make sure that the visitors to your website have all the information they

Mr Varun Garg
*PGDBM (IT)*
*2006-2008*

***"To sell, you must advertise... ...Make your venture known..."***

need, and that the data is delivered instantly.

Competition is fierce on the Internet. There are a multitude of people selling products that are similar to yours. How in the world will you get customers to buy your product instead of your competitors'?

The key to outselling your competitor is to compare your product to theirs. When you find the differences between the products, use your findings to improve your product. Below are the things a firm can compare to have an upper hand in handling competitors.

1. **Price-** Can you offer a lower price? Can you offer a higher price and increase the perceived value of your product? Do you offer easier payment options than your competition? These are some of the question which a organization have to ask itself before deciding on the pricing of there products.

2. **Packaging- Packaging** is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design and production of packages. Before deciding on a packaging strategies a manager try to search for the answers of these questions to lead into an effective packaging strategy. Can you package your product more attractively? Do the colors of your package relate to your product? Can you package your product into a smaller or larger package?

3. **Delivery-** Delivery caters to the convenience of customers which is one of import C of the 4 Cs of marketing. For this also I have tried to identify the set of questions. Can you offering cheaper shipping? Do you have a high enough profit margin to offer free shipping? Can you ship your products faster?

4. **Benefits-** This is again catering to none other than costumer solution- the value proposition you are providing your customer with. Some of deriving forces are - Can you offer more benefits than your competitor? Are your benefits stronger? Do you have believable proof that supports your claims?

5. **Quality-** Quality can refer to a specific characteristic of an object (*the qualities of ice* - i.e. its properties) including:

- The essence of an object (the quality of ice - i.e. "iceness")
- The achievement or excellence of an object (good quality ice - i.e. not of inferior grade)
- The meaning of excellence itself
- Questions which an organization should ask itself are-: Is our product built and tested to last longer than our competition? Can we improve the overall quality of our product?

6. **Make Your Site Easy-**: It is no **accident** that the people who visit your site are called "Web surfers". They have the same short attention span as TV "channel surfers". The average visitor to a Web site looks at only three or four pages before going somewhere else. Visitors will leave at the slightest obstacle. So if you want people to visit and order from your site, don't put any obstacles in their way. Whatever you do, don't force visitors to register. You have to create an account for yourself, with a user id and password, before you can even order from Wal-Mart. Do they expect online shoppers to remember a user id and password for every online store they visit?

7. **Performance-** Can you make your product solve your customer's problem faster? Is your product easier to use than your competitor's?

8. **Features-** Can you offer more product features than your competitor? Do your features support the benefits you offer?

9. **Availability-** Is your product always available or do your have to backorder it? Can your product suppliers drop ship to your customers?

10. **Promotion-:** It is one of the 4 P's and of prime importance. But promoting an online store is different from promoting an ordinary Web site. You're not just looking for hits. You're looking for sales. While it's always a good thing to bring more people to your site, what you really need is a buyer. How do you bring them to you? As always, the solution is to put you in the customer's place. If you were someone looking to buy online, where would you be?

11. **Proof-** Can you provide more proof than your competitor that your product is reliable? Can you provide stronger testimonials or endorsements?

12. **Guarantees-** Do you have a stronger guarantee than your competitor? Do you offer warranties with your product? Do you provide an easier return policy?

13. **Service-** Most of the people who visit your store will still find the idea of buying online a little strange. You have to reassure them. The most powerful confidence builder is a top-quality site: high production values go to work directly on the visitor's subconscious. But it's also important to reassure visitors explicitly.

For example, if you are determined to provide great customer service, tell your visitors so, right on your site. Guarantee that they will be satisfied with what they buy from you, or you will refund their money with no questions asked. Some questions behind providing a good service should be like-: Do you offer your customers 24 hour service? Can you provide free product repair?

With Internet sales booming, selling online is a fantastic choice if you are hoping to make some extra cash. The right tools, a marketable plan, and just a few secrets can get you farther than you ever imagined. Online selling growth is slow in the beginning for two reasons. It takes a while for shoppers to realize you are out there. And it takes a while for people to order from a site even after they first find it. The first time you visit a site, you may be a little reluctant to order. You think 'Who are these guys?' But suppose you come back a few months later, and the site is not only still there, but seems bigger and more prosperous. Then you think, 'These guys are real'. Especially if a friend of yours ordered from the site in the meantime.

That's exactly what happens in successful stores. And the cool thing is, the growth doesn't necessarily stop. Some of the users have been shopping online for almost three years, and the sales are still growing just as fast as they were at the start. There are ups and downs (due to advertising) but the general trend is always upward.

The Internet is big. There are millions of users, and thousands of sites competing for their attention. It takes patient effort to bend something so big in your direction. But once it gets started, it has the momentum of a truck. If you can get a small, solid customer base, and keep them very happy, that and time are all you need.

nuggets!

Nokia started as a wood-pulp mill. The company expanded into producing rubber products in the Finnish city of Nokia. The company later adopted the city's name.

ad review

# *TATA Sky*

## A review


Active Whizkids is a 24x7 interactive TV based education service provided by Tata sky satellite TV designed especially for pre-schoolers (between 3-6 years of age). Through the medium of fun-filled games and audio instructions, it focuses on mathematics, phonics, eye and hand co-ordination, logical skills, etc, to make learning at home an entertaining experience for the tiny tots. Rediffusion and DY&R have created a TV commercial for this product of Tata Sky. As per Vikram Mehra, head consumer marketing, Tata Sky, “Active Whizkids is an ‘edutainment’ application that enables children to take their school work home in an entertaining manner.”


It has made an impact on the minds of children as well as adults. From the background score of ‘Aaiin’, one can recollect it’s a Tata sky ad. The commercial represents a humorous way of communicating with the target group which is school children. It is a pleasure to watch the advertisement from the word go! But perhaps the most interesting part is the character used to represent a genius. Also, the kids/ students featuring in the advertisement, look cute in that hairstyle and moustache which makes the advertisement unforgettable. The jingle of the commercial is also catchy enough.

Now the purpose of the ad was to bring out the notion that this service helps in the mental development of young children. The theme of the commercial, i.e., Einstein, is an intelligent choice to portray the role model of a sharp and inquisitive mind that every parent would like for his/her child.

It is a good execution of a bad concept. Now, the target consumer group is children between 3-6 years of age. There is

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no possibility that they would know who Albert Einstein was. In fact there may be a few parents also who might not know the same. Also, as the kids might not know about Einstein, the commercial is targeted directly on the parents, especially the mothers as it is mostly aired during the afternoon time when most of the TV soaps are aired for the mothers. But if the mothers would not know about Sir Albert, the basic purpose of the ad is not solved.

One more thought that comes to one's mind is whether a child would be able to use this product or would be able to learn something from it. Nothing has been shown in the ad to remove this apprehension of the consumer.

The product concept is quite good. To bring satellite quality television viewing to an average Indian home is a very innovative concept. Technical as well as the non-technical issues may create problems for this product. The TV commercial mentions nothing about the use or application of the product.

One feature is not enough reason for someone to buy something as expensive as Tata Sky. But with CAS, we are not sure whether this the best feature to tell people when they are worried about basic features. Maybe there is still time for it!

nuggets!

"The advertising agencies and the media can argue the point either way. If they are trying to convince an advertiser to increase the media budget, they can cite examples of devastatingly successful advertising campaigns. But if they are defending themselves before the Federal Trade Commission (FTC) or a civic organization decrying television advertising to children, they trot out the data that demonstrate that advertising has slight or no effect on product sales."

- Michael Schudson

## Vis-à-Vis

 

 

Varun Garg
PGDBM (IB)
2006-08

Divya Sadarangani
PGDBM (IB)
2006-08

**We should welcome FDI into Indian Retail Sector with great fanfare!!**

The winds of change are sweeping the Indian subcontinent. They bring with them the promise of rewriting the economic history of the region.

In today's highly competitive international arena, there is no place for laggards. Only those countries that embrace these changes fully and willingly will emerge victorious.

FDI inflows into China are estimated at a record $63 bn, and this reflects in a vibrant GDP growth rate of 10.6%. India, on the other hand, is considerably lagging behind at $14 bn FDI inflows and an 8% growth rate.

We must strive to 'keep up with the Joneses'. And to do this, it is essential to permit FDI inflows into India's retail sector, a potential key driver of the economy.

**BENEFIT TO INDIAN PARTNERS**

Under present FDI norms, 100% FDI is allowed in cash & carry and backend operations. The front end is to be owned by the Indian counterpart. This provides protection to the Indian partners as foreigners can only enter in a Joint Venture with

**FDI in Indian Retail… The hangman's noose.**

"Veni, Vidi, Vici"

At the start of the 17th century, the East India Company had established a foothold in the Indian market, ostensibly to carry on trade with India. History is witness to the plunder, pillage and ruin this ushered into our country. And history, they say, has a strange way of repeating itself.

Today, as India is poised to throw open its doors to FDI in retail; do we realize the full impact of this move? Or are we condemned to learn the hard way just as we did in the past?

**INDIAN RETAIL SCENARIO**

In India the organized retail sector accounts for US $ 12.4 bn and comprises 4.6 % of the total retail market which is valued at US $ 270 bn. Unorganized retail (local *kirana* shops, mom & pop stores) on the other hand forms the chunk of the market at a whopping 95.4 %.

The statistics are grim, especially in light of the fact that the unorganized sector will be the one bearing the brunt of entry of FDI in retail. A closer look at the consequences of permitting FDI in retail reveals the following:

them. This will enable local partners to learn from the foreign company and improve their efficiency and capability, thus bringing them at par with the foreign players.


**HIGHER EXPORTS**

When global corporations set up operations in India, they will develop a strong linkage with local markets and suppliers. This will induce them to buy large quantities from India for export purposes on a long term, sustainable basis. Hence total value of exports from the country will rise. If we do not allow FDI in retail, it will be self defeating because the big domestic retail giants will anyway exist, leading to job losses among small retailers but without the benefit of added exports brought in by FDI.

**COST ECONOMIES**

In the normal Indian context, there is a tremendous amount of wastage and loss in agricultural products due to lack of proper storage, refrigeration, transportation and processing. The farmers are the ones who bear the brunt of this loss as their price realization remains low while consumers keep paying more. Since foreign corporations will have the resources to control the whole supply chain, they will enjoy cost economies, and at the same time be able to prevent unnecessary losses. This will result in their passing on the cost benefit to consumers in the form of low prices.

**BENEFIT TO PRODUCERS**

India has a unique problem wherein a large number

**JOB LOSSES**

Entry of FDI in retail rings the death knell for millions of small *kirana*/local mom & pop grocery shops. These small stores do not have the wherewithal to compete with the onslaught of the global retail giants. FDI in retail will be highly labor-displacing. The retail chain can expand only by destroying the traditional unorganized retail sector. India today is besieged with the problem of unemployment (primarily disguised unemployment and underemployment). Permitting FDI in retail will further debilitate the employment scenario in the country and defeat one of the major goals of the UPA Government's Common Minimum Programme, i.e., employment generation.

**PREDATORY PRICING BY MNCs**

MNCs have the power to wipe out domestic players by under pricing products. They have huge funds at their disposal, and the ability to sustain prolonged losses over a relatively long period of time. Smaller players will have no option but to fold up as they will be unable to compete with them. This is the normal predatory strategy followed by huge foreign players and entails job losses for millions. This will be followed by a hike in prices after the competition has been killed, thereby leading to exploitation of consumers.

**MONOPOLISTIC AND MONOPSONISTIC TENDENCIES**

No Indian retailer, be it in the organized or unorganized sector, will be able to survive the attack of a huge established foreign player. MNCs are able to sell their products at much lower prices because they source products from abroad at lower costs. After local competition has been thwarted, there is the possibility that global retailers will eventually collude and exercise monopolistic power to raise prices and monopsonistic (big buying) power to reduce the prices they pay to their suppliers. Thus they will widen their profit margins at the expense of both, the hapless consumers and the producers.

of intermediaries are present in the supply chain. Consequently the consumer ends up paying 4-5 times the actual price received by the producers (mainly farmers). The farmers on the other hand, receive a very meager amount for their efforts. Entry of an international retail giant would eliminate the middlemen in the supply chain and thus share a larger part of the profits with the actual producers, i.e. the farmers. This would boost the producers and also lead to a balanced regional development and the farmers are bound to prosper.

**BENEFIT TO CONSUMERS**

Without a doubt, the consumers will be the kings. They will have a plethora of products to choose from. The quality and standard of products on offer will be of world standard. They are also expected to get the true value for their money.

**BENEFIT TO SMALL RETAILERS**

It is possible for small *kirana* shops to buy products at a cheap rate from supermarkets and sell them in smaller towns and villages where the supermarkets will not be able to penetrate.

**CONCLUSION**

FDI in retail is a forerunner of economic prosperity. There are hardly any Indian entrepreneurs who would have the financial capability, risk taking ability, experience and skill to invest the colossal amounts required. FDI will be able to provide this –this is the core benefit of permitting FDI in retail.

FDI in retail will not affect the unbranded mass market negatively. It is feasible for big stores and small retail shops to co-exist in harmony. Since the big foreign stores are mainly in malls and in urban areas, smaller stores, which enjoy the benefits of easy accessibility and convenience, will still thrive.

It's time we realized the virtues of FDI in retail. The winds are in our favor now, ripe with the sweet scent of success. Its up to us to harness them, and watch the prosperity unfold.

**LOPSIDED GROWTH**

Large retail chains are likely to establish their outlets in major cities and urban areas, rather than villages. Income generation, job creation etc will be restricted to the cities. This will increase the urban-rural divide and intensify disparities between them.

This may lead to discontent and social tension in other parts of the country in the long run.

**CONCLUSION**

It is evident that permitting FDI in retail would have grave implications on the Indian economy and society at large. It would be far better to invest domestic capital, of which there is no dearth, rather than courting foreign inflows. Also, given the present scenario in the country, there doesn't seem to be any pressing need for transfer of special technology from the foreign players, in the retail sector. All in all, FDI inflows in Indian retail would herald an era of foreign exploitation, leaving us at the mercy of the ruthless international retail bigwigs.

It would be wise, therefore, in this frenetic rush for globalization, to take time out, pause, and consider the implications of permitting FDI inflows in the retail sector. After all, we don't want to repeat our mistakes.

## mark-o-meter

1. Bringing Enjoyment and Quality to life
2. Victory
3. Encyclopedia Britannica
4. They are columns in 'The Economist'
5. Western Union
6. Toys 'R' Us
7. Red bull
8. Mozilla Firefox

nuggets!

American Airlines saved $40,000 in 1987 by eliminating one olive from each salad served in first class.