

MTTM 404

TOURISM MARKETING MANAGEMENT AND ENTREPRENURIAL DEVELOPMENT

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BLOCK - 1
MARKETING MANAGEMENT PROCESS AND
MARKET RESEARCH

UNIT 1: MARKETING MANAGEMENT PROCESS AND DIFFERENT ORIENTATION TOWARDS MARKET PLACE, CONCEPT OF MARKET PLACE IN TOURISM

STRUCTURE

- 1.1 Introduction
- 1.2 Objectives
- 1.3 Marketing Management Process and Different Orientation towards Market Place
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- 1.11 References
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1.1 INTRODUCTION:

Any time one tries to persuade somebody to do something to buy his product, donate for some charitable purpose, or vote for some candidate, or attend a dramatic show, or accept a social date with him – both of them are said to engage in marketing. Especially, marketing exists in any type of economic system and in any stage of economic development except the most primitive situation where the individuals are economically self sufficient and trade or exchange does not exist. Marketing is all pervasive in the present day world.

Marketing begins with the fundamental idea that most human behaviour is a purposeful quest for need satisfaction, and this activity is rooted in exchange notion. Marketing requires the existence of two or more persons or groups having certain wants, and also possessing certain products.

1.2 OBJECTIVES:

After studying this unit you will be able to learn

- Explain The Meaning Of Marketing
- Elements And Objectives Of Marketing
- Importance Of Marketing
- Meaning Of Market Planning
- Meaning Of Marketing Management
- Meaning Of Marketing Mix

- Elements Of Marketing Mix
- Marketing Management Process
- Company Orientation Toward The Market Place
- Concept Of Market Place In Tourism

1.3 MARKETING MANAGEMENT PROCESS AND DIFFERENT ORIENTATION TOWARDS MARKET PLACE:

1.3.1 Definitions of Marketing:

Marketing includes all activities involved in the creation of place, time and possession utilities. Place utility is created when goods and services are available at the places they are needed, time utility when they are needed, and possession utility when they are transferred to those who needed them.

“Marketing is the economic activity by which goods and services are exchange and their values determined in terms of money prices.”

“Marketing is the process of discovering and translating consumer’s needs and wants into products and services specification, creating demand for these products and services and then in turn expending this demand.”

“Marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs and wants.”

According to **Philip Kotler**, “marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others”

Enis defines marketing as “a fundamental human activity, which encompasses exchange activities conducted by individuals and organisations for the purpose of satisfying human wants.”

The American marketing Association (AMA) defines marketing as “the performance of business activities that direct the flow of goods and services from producer to consumer or user.”

According to **Cundiff** “marketing is the business process of by which products are matched with markets and through which transfers of ownership are effected.”

1.3.2 Elements of Marketing:

The essential elements of Marketing are

- Marketing must focus on customer.
- Marketing must deliver to customer.
- Marketing is surrounded by customers need.
- Marketing is a key business.
- Marketing sub system affects company strategy.
- Marketing is a part of total environment.
- Marketing as a subject

1.3.3 Objectives of Marketing:

The broad objectives of marketing are

- Appreciation of marketing practices and influences in the marketing situation
- Develop policies and frameworks.
- To determine marketing mix that aims to satisfy the needs and wants of the customers.
- To satisfy the needs and wants of the customers.
- To create adequate profits for the growth of the enterprise.
- To raise the standard of the living of the people.

1.3.4 Importance of Marketing:

- Marketing affects each person's life.
- Marketing aims at satisfying the needs of customers.
- Marketing aims to provide quality products, services, so as to satisfy the customer and ultimately raise their standard of living.
- Marketing as a career provides an employment opportunity to various people.
- It helps in developing economic resources of any country.

1.3.5 Meaning of Market Planning:

Market planning is the process of developing and implementing a plan to identify, anticipate and satisfy consumer demand, in such a way as to make a profit. The two main elements of this plan are market research to identify and anticipate customer requirements and the planning of an appropriate marketing mix to meet these requirements.

Market research involves gathering and recording information about consumers, market, product, and the competition in an organised way. From internal information already held by an organisation, e.g. details of existing customers.

External primary information - i.e. information collected at first hand by interviewing customers and potential customers to get their views about a company, products.

External secondary information - using published sources of information e.g. those produced by marketing organisations about products, markets and brands.

1.3.6 Meaning of Marketing Management

Marketing management is the art and science of choosing target markets and building profitable relationships with them. This definition must include answers to two questions: What customers will we serve? and How can we serve these customers best?

Marketing Management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities.

Marketing trend is the most of the business units make the production in the anticipation of demand. In these circumstances, if the insist dose not takes place according to the expectations in the fixed period, and then individual efforts are to be made for this. It is clear that the extent to which the sale is more to that extent the working capital cycle will also be speedy and the profitability of the unit also increases. The activity of entire useful services necessary for the business activities increases and as a result the economic development of the country also becomes possible. Thus, the sales activity has a special importance. In the developed countries about 50% and in developing countries about 20 to 40% of employed personals are engaged in marketing activity. So, it is necessary to put special weight age on the marketing management process.

1.3.7 Meaning of Marketing Mix:

Marketing Mix is a mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

1.3.7.1 Elements of Marketing Mix:

The elements of marketing mix are often called the four P's of marketing.

1- Product: Goods manufactured by organizations for the end-users are called products. Products can be of two types - Tangible Product and Intangible Product (Services)

An individual can see, touch and feel tangible products as compared to intangible products. A product in a market place is something which a seller sells to the buyers in exchange of money.

2- Price: The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice versa. Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.

3- Place: Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets. In a physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.

4- Promotion: Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses. Promotion can be through any of the following ways:

a- Advertising: Print media, Television, radio are effective ways to entice customers and make them aware of the brand's existence. Billboards,

hoardings, banners installed intelligently at strategic locations like heavy traffic areas, crossings, railway stations, bus stands attract the passing individuals towards a particular brand. Taglines also increase the recall value of the brand amongst the customers.

b- Word of Mouth: One satisfied customer brings ten more customers along with him whereas one dissatisfied customer takes away ten more customers. That's the importance of word of mouth. Positive word of mouth goes a long way in promoting brands amongst the customers

1.3.8 Marketing Management Process:

As said by Philip Kotler, 'the marketing process consists of marketing opportunities, researching and selecting target markets designing marketing strategies, planning marketing programmes and organizing, implementing and controlling the market efforts.' Marketing Management process is a part of business activity related to the sale of profitable products in the targeted market. It includes the analysis of business opportunities, selection of targeted market, formation and effective implementation of the marketing strategy.

Simply stated, the marketing concept involves identifying a need, and satisfying it. The process of accomplishing that can be modeled in a sequence of steps: analyze the situation to identify opportunities, formulate a strategy for a value proposition, make tactical decisions, implement the plan and monitor the results. There are four Steps in Marketing Management Process

1. Situation Analysis
2. Marketing Strategy
3. Marketing Mix Decisions
4. Implementation & Control

1. Situation Analysis: The first step is for the organization to perform a thorough analysis of its position, with an eye toward identifying opportunities to satisfy customer needs and wants. The organization must also analyze its own capabilities within its operating environment.

This is a two-pronged analysis, the first of which will focus upon the external environment. This will include all elements outside the company that might aid or hinder its achievement of the goals. The second is an internal analysis of capabilities, capacity and sustainability. The situation analysis should not focus only on the present, but should take heed of past issues, and potential future issues, as well. Good forecasting will come into play at this point.

A good situation analysis can often detect opportunities to fulfill an unsatisfied demand, giving the company an advantage over its competition

2. Marketing Strategy: Having identified the customer needs to be addressed, the next step is to develop a strategic plan to pursue the opportunity. Specific market information can be obtained via market research, to allow you to select your target market segment and best tailor your offering. The result will be a value proposition for the target market. The marketing strategy will involve:

- Segmentation
- Targeting
- Product positioning within the target market
- Value proposition for the target market

3. Marketing Mix Decisions: Tactical decisions can be made, utilizing the 7P's Extended Marketing Mix (Product, Price, Place, Promotion, People, Process, and Physical Evidence).

4. Implementation and Control: Upon launching the product or service being offered, constant monitoring should be maintained. As the market undergoes changes, adjustments can be made to compensate. The marketing process doesn't end with product launch... monitoring and adjusting must be a continuous process, in order to fulfill varying consumer needs over the long term

1.4 DIFFERENT ORIENTATION TOWARDS MARKET PLACE:

1.4.1 Company Orientation toward the Market Place:

What philosophy should guide a company marketing efforts? What relative weights should be given to the interests of the organization, the customers, and the society? Very often these interests conflict.

The competing concepts under which organizations have conducted marketing activities include:

- 1- Production concept
- 2- Selling concept
- 3- Marketing concept and
- 4- Social marketing concept

1-The Production Concept: Holds that consumers will prefer products that are widely available & inexpensive

- Managers therefore focus on achieving high production efficiency, low costs & mass production
- Managers assume that consumers are primarily interested in product availability & low price
- This orientation makes sense in situations where consumers are more interested in obtaining the basic product
- This holds that consumers will only favour those products that offer most quality, performance, or innovative features invested in the product
- Managers must concentrate in making superior products and improving them with time
- The assumption is that buyers admire well made products, and they can evaluate quality and performance
- But managers may be caught in love affair with a product, not the customer and therefore commit the "better mousetrap" fallacy. The belief is that "better mousetrap" in itself will lead customers to the product

- The product concept leads to “marketing myopia” (Levitt, 1960) i.e. focus on the product, not the consumer benefit the product delivers.

2- The Selling Concept:

- Holds that consumers & businesses if left alone will ordinarily not buy enough of the organization’s products
- The starting-point is the factory, the focus are products, the means are selling & promotion and the ends are profits through sales volume
- Therefore the organization must undertake aggressive selling and promotion effort
- This concept assumes that consumers typically show buying apathy or resistance and must be cajoled into buying
- Also assumed that the business has effective selling and promotional tools and power.
- Marketing based on hard sell carries risk of consumers’ bad word of mouth and/or future rejection.

3- Marketing Concept: This concept, emerged in the 1950s, and challenged the earlier concepts Shift from “make & sell” to “sense & respond”. This task for marketers is not only to find the customer, but also provide the right products for the customers. This concept holds that the key to achieving an organization’s goals consists of being more effective than competitors in creating, delivering and communicating superior customer value in a chosen customer segment. All functions work together to respond to, serve and satisfy the customer

The starting point is the target customer; the focus is customer needs, the means being integrated marketing and the ends being profits through customer satisfaction.

4- Social Marketing Concept: Social Marketing as a holistic form of marketing incorporates social responsibility marketing and understanding broader concerns and the ethical, environmental, legal and social contexts of marketing activities and programs. It involves a focus on the long run interests of consumers and the society.

This concept holds that the organization’s task is to determine the needs, wants and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors are, in a way that serves or enhances the consumer and the society’s well-being. This concept calls on marketers to build social and ethical considerations into their marketing practices. Social marketing employs principles and techniques to advance a social cause, idea or behaviour. Whether social marketers are promoting ideas or social practices, their ultimate goal is to alter behaviour. In order to accomplish this behaviour change, social marketers set measurable objectives, research their target group’s needs, and then target their ‘products’.

This concept evolved from the need to factor in the environment/social factors such as resource shortage, explosive population, world hunger and poverty, environmental deterioration etc into the marketing concept. This

marketing concept sidesteps the potential conflicts among consumer wants, consumer interest and long run societal welfare and calls upon marketers to build social and ethical considerations into marketing practices.

Firms must balance the criteria of company profits, consumer want satisfaction and public interest. Some firms see cause related marketing as an opportunity to enhance corporate reputation, raise brand awareness, increase customer loyalty, build sales and increase press coverage.

1.5 CHECK YOUR PROGRESS- 1:

(1) What do you mean by Marketing?

(2) Define Marketing Mix?

(3) **Fill In The Blanks:**

(a) Marketing must focus on_____.

(b) _____helps in developing economic resources of any country.

(c) _____is a part of total environment.

(d) Marketing is a key to_____.

(4) **Identify whether True / False:**

(a) Marketing means any human activity taking place in relation to market.

(b) Marketing is considered as “every one’s business.

(c) Marketing is a continuous process.

(d) Market is the place where buyers and sellers are present to exchange what they have with what they need.

(e) Marketing as a career provides an employment opportunity to various people.

1.6 CONCEPT OF MARKET PLACE IN TOURISM:

Place Marketing (Place Branding, Territorial Marketing) is the practice of applying marketing and branding strategies to regions, states, cities and nations. As place marketing teams (i.e. city councils, tourism departments) compete to attract residents, tourists, businesses and ultimately tax revenue – they have consulted branding tactics to turn their places into destinations.

1.6.1 Market the Place as the Product:

When taken to market, a place-based cultural tourism product invites the visitor to experience much more than the destination's cultural 'attractions'. The attractions are there, but they become expressions of the destination's culture rather than its embodiment. The branding, imaging and messaging developed for the marketing campaign communicates the destination's sense of place as much as profiling the attractions.

Place-based cultural tourism is customer-oriented. It is conceived from the vantage point of the cultural tourists that a destination seeks to attract. Such an approach mirrors the manner in which most goods and services are brought to market: consumer behaviour drives product development, which then drives manufacturing and retail. Place-based cultural tourism:

- Employs a holistic process for destination planning that is specific to cultural tourism, and
- Markets the destination's cultural experiences in a manner that targets the motivations and behaviours of cultural tourists.

Every destination has its own cultural typology, shaped by the city or region's social and cultural development and by the type, quantity, and quality of its cultural experiences. Less tangible cultural experiences such as language, traditions, and folklore are also key components of a destination's cultural typology.

Put on paper using narrative and graphic elements, a cultural typology reveals the destination's unique identity, cultural character, and sense of place -in all its breadth, depth, and dimension. At the same time, it identifies the destination's strengths and limitations for cultural tourism. In cultural tourism, place is product. The cultural typology defines the place and conceptualises the product. It is the cornerstone of place-based cultural tourism.

Cultural tourists are savvy, sophisticated travellers who seek learning and enrichment. In the ever-more competitive world of tourism, destinations that embrace holistic, customer-oriented, place-based cultural tourism will eclipse other destinations that cling to conventional, supplier-driven, attractions-based approaches.

At the same time, evidence is mounting that place-based cultural tourism encourages cities and regions to know and value their culture more fully, ensuring its preservation and stewardship for the benefit of citizens and tourists alike. To this end, the principles and practice of cultural planning can facilitate community engagement with, and contributions toward, place-based cultural tourism. In sum, through place-based cultural tourism, cities and regions can reap tourism dividends and sustain the sense of place that makes each destination one to treasure.

1.7 CHECK YOUR PROGRESS- 2:

- (1) Define Place Marketing?
 - (2) What do you mean by Cultural Tourism?
-

1.8 SUMMARY:

In this unit we have discuss the meaning of marketing, its objectives and how a product is plan to enter in the market. Marketing includes all activities involved in the creation of place, time and possession utilities. Place utility is created when goods and services are available at the places they are needed, time utility when they are needed, and possession utility when they are transferred to those who needed them. Marketing begins with the fundamental idea that most human behaviour is a purposeful quest for need satisfaction, and this activity is rooted in exchange notion. Marketing requires the existence of two or more persons or groups having certain wants, and also possessing certain

products. Marketing management is the art and science of choosing target markets and building profitable relationships with them.

Marketing Management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities.

Marketing Mix is a mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

1.9 GLOSSARY:

- **Communication-** It is exchange of information between two sources.
- **Market-** A place where business is conducted.
- **Marketing-** It is the flow of goods and services from producer to consumers.
- **Persuade-** It is concerned to influence others by advice or argument.
- **Segmentation-** Act of dividing unit into sub unit according to the homogeneity.
- **Elimination-** Process of withdrawal is said as elimination

1.10 ANSWER TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

(1) Marketing is the process of discovering and translating consumer's needs and wants into products and services specification, creating demand for these products and services and then in turn expending this demand.

(2) Marketing Mix is a mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

(3) **Fill In The Blanks:**

- (a) Customers
- (b) Marketing
- (c) Marketing
- (d) Business

(4) **Identify Whether True/False:**

- (a) True
- (b) True
- (c) True
- (d) True
- (e) True

CHECK YOUR PROGRESS-2

(1) Place Marketing (Place Branding, Territorial Marketing) is the practice of applying marketing and branding strategies to regions, states, cities and nations.

As place marketing teams (i.e. city councils, tourism departments) compete to attract residents, tourists, businesses and ultimately tax revenue – they have consulted branding tactics to turn their places into destinations.

(2) It is a kind of tourism in which tourist enjoy the culture, tradition and lifestyle of the people of that destination where he/she has visited.

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1.12 SUGGESTED READINGS:

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- International Marketing : R. Srinivasan
- Marketing Management : Mukesh Dhunna
- Basics of Marketing Management : Dr. R.B. Rudani
- Marketing Management : C.N. Sontakki

1.13 TERMINAL QUESTIONS:

Q1. Define Marketing. Discuss the objectives and importance of Marketing?

Q2. Discuss the meaning and process of Marketing Management?

Q3. Explain the meaning and elements of Marketing Mix?

Q4. Write down a brief note on the concept of place in tourism?

UNIT 2: SERVICE MARKETING- UNIQUE FEATURES AND CHALLENGES WITH SPECIAL REFERENCE TO TOURISM INDUSTRY

STRUCTURE

- 2.1 Introduction
- 2.2 Objectives
- 2.3 Meaning of Service Marketing
- 2.4 Check Your Progress
- 2.5 Challenges before Service Marketing In Context of Tourism Industry
- 2.6 Summary
- 2.7 Glossary
- 2.8 Answer to Check Your Progress
- 2.9 References
- 2.10 Suggested Readings
- 2.11 Terminal Questions

2.1 INTRODUCTION:

In the previous unit you have learn about meaning of marketing, how an effective marketing play important role in the promotion and development of a particular product. You have also learned the concept of place in tourism and its importance in the development of tourism. But in this unit you will learn about the service, marketing of the services, its importance and how it is different from other products. You will also learn about the factors that affect the marketing of the services.

A service may be define as the set of activities, facilities and conveniences offered by anyone to satisfy any type of need of any person. In simple word we can say that the service is the benefit which is offered for sale or provided in connection with the sale of goods.

2.2 OBJECTIVES:

After studying this unit you will be able to learn:

- Meaning of Service Marketing
- History of Service Marketing
- Features of Service Marketing
- Types of Services

- Difference between Goods and Services
- Importance of Marketing of Services
- Elements of Service Marketing Mix
- Challenges before Service Marketing In Context of Tourism Industry

2.3 MEANING OF SERVICE MARKETING:

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

The American Marketing Association defines services as - "Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods." Services Marketing refers to the marketing of services as against tangible products.

According to Philip Kotler " A service is any act or performance that one 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"

The term service may also be defined as any facility or assistance which is offer to someone that satisfies any type of needs or expectation.

2.3.1 History of Service Marketing:

Marketing of services is a relatively new phenomenon in the domain of marketing, having gained in importance as a discipline only towards the end of the 20th century. Services marketing first came to the fore in the 1980's when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own.

The 1980's however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990's, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium.

New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as – the product-service spectrum, relationship marketing, franchising of services, customer retention etc.

2.3.2 Features of Service Marketing:

Various features of service marketing are as follows:

1- Intangibility: Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

2- Heterogeneity / Variability: Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavour at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.

3- Perishability: Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.

4- Inseparability / Simultaneity of Production and Consumption: This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

2.3.3 Types of Services:

1- Core Services: A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.

2- Supplementary Services: Services that are rendered as a corollary to the sale of a tangible product. Eg, Home delivery options offered by restaurants above a minimum bill value.

2.3.4 Difference between Goods and Services:

Given below are the fundamental differences between physical goods and services:

Goods	Services
A physical commodity	A process or activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separation from their consumption	Production, distribution and consumption are simultaneous processes
Can be stored	Cannot be stored

2.3.5 Importance of Marketing of Services:

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

1- A key Differentiator: Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.

2- Importance of Relationships: Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.

3- Customer Retention: Given today's highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

2.3.6 Elements of Service Marketing Mix:

There are seven P's in the service marketing mix. The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

1-Product: In case of services, the 'product' is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

2- Pricing: Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs - such as labour and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

3- Place: Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

4- Promotion: Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

5- People: People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

6- Process: The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blue print which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

7- Physical Evidence: Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

2.3.7 Moment of Truth in the Services Marketing:

Every business knows that in order to thrive it needs to differentiate itself in the mind of the consumer. Price has proved inadequate since there is a limit to how much a firm can cut back on its margins. Product differentiation is also no longer enough to attract or retain customers since technological advances have resulted in products becoming almost identical with very few tangible differences from others in the same category. Consequently, marketers have realized the importance of service differentiation as a sustainable strategy for competing for a portion of the customer's wallet.

A moment of truth is usually defined as an instance wherein the customer and the organization come into contact with one another in a manner that gives the customer an opportunity to either form or change an impression about the firm. Such an interaction could occur through the product of the firm, its service offering or both. Various instances could constitute a moment of truth – such as greeting the customer, handling customer queries or complaints, promoting special offers or giving discounts and the closing of the interaction.

In today's increasingly service driven markets and with the proliferation of multiple providers for every type of product or service, moments of truth have become an important fact of customer interaction that marketers need to keep in mind. They are critical as they determine a customer's perception of, and reaction to, a brand. Moments of truth can make or break an organization's relationship with its customers. This is more so in the case of service providers since they are selling intangibles by creating customer expectations. Services are often differentiated in the minds of the customer by promises of what is to come. Managing these expectations constitutes a critical component of creating favourable moments of truth which in turn are critical for business success.

2.3.7.1 Moments of Magic:

Favourable moments of truth have been termed as 'moments of magic'. These are instances where the customer has been served in a manner that exceeds his expectations. Eg: An airline passenger being upgraded to from an economy to a business class ticket or the 100th (or 1000th) customer of a new department store being given a special discount on his purchase. Such gestures can go a long way in creating a regular and loyal customer base. However, a moment of magic need not necessarily involve such grand gestures. Even the efficient and timely service consistently provided by the coffee shop assistant can create a moment of magic for the customers.

2.3.7.2 Moment of Misery:

These are instances where the customer interaction has a negative outcome. A delayed flight, rude and inattentive shop assistants or poor quality of food served at a restaurant all qualify as moments of misery for the customers. Though lapses in service cannot be totally avoided, how such a lapse is handled

can go a long way in converting a moment of misery in to a moment of magic and creating a lasting impact on the customer.

2.3.8 Customers Expectation and Delight:

In today's ultra competitive business environment merely meeting customer expectations is not enough. In order to effectively differentiate themselves from the competition, service providers need to focus on exceeding customer expectations to create customer delight and create a pool of loyal customers. Therefore, when deciding on a service delivery design, it is imperative for the service provider to consider the targeted customer base and their needs and expectations. This will help in developing a service design that will help the provider to effectively manage customer expectations leading to customer delight.

2.3.8.1 Customer Needs and Expectations:

Customer needs comprise the basic reason or requirement that prompts a customer to approach a service provider. For instance, a person visits a restaurant primarily for the food it serves. That is the customer's need. However, the customer expects polite staff, attentive yet non intrusive service and a pleasant ambience. If these expectations are not properly met the guest would leave the restaurant dissatisfied even if his basic requirement of a meal being served has been met. Thus knowing and understanding guest expectations is important for any service provider.

2.3.8.2 Customer Satisfaction, Dissatisfaction and Delight:

Based on the quality of the service experience a customer will either be satisfied, dissatisfied or delighted. Knowing a customer's expectation is instrumental in developing a strategy for meeting and exceeding customer expectations.

1- Customer Dissatisfaction: This is a situation when the service delivery fails to match up to the customer's expectations. The customer does not perceive any value for money. It's a moment of misery for the customer.

2- Customer Satisfaction: In this case, the service provider is able to match the customer's expectations and deliver a satisfactory experience. However, such a customer is not strongly attached to the brand and may easily shift to a competing brand for considerations of price or discounts and freebies.

3- Customer Delight: This is an ideal situation where the service provider is able to exceed the customer's expectations creating a Moment of Magic for the customer. Such customers bond with the brand, are regular and loyal and will not easily shift to other brands.

2.3.9 Maintaining Service of Quality:

After having attained the desired service level, the next great challenge faced by service providers is to maintain service standards at levels of

excellence. This is as important, and as tough, as establishing service standards and attaining to them in the first place. There are basically two approaches that any organization can have towards maintaining service standards – a proactive approach or a reactive approach.

1- Proactive Approach: A proactive approach entails actively reaching out to customers and trying to gather their feedback on service quality and suggested areas of improvement. This can be done by way of

- a- Surveys and questionnaires
- b- Gap Analysis, and
- c- Staff training

a- Surveys and questionnaires: Such an approach helps a brand to anticipate customer demands and expectations and align its service offering accordingly. Also, the findings of such surveys can help to identify common issues and demands of customers hence helping a company to customize its service offering.

b- Gap Analysis: Another approach that is adopted for analyzing service quality is that of the gap analysis. The company has an ideal service standard that it would like to offer to its customers. This is contrasted with the current level of service being offered. The gap thus identified serves both as a measure and as a basis for planning a future course of action to improve the service offering.

c- Staff Training: Another crucial aspect of the proactive approach is staff training. Companies nowadays spend generously on training their personnel to adequately handle customer queries and/or complaints. This is particularly true if a company is changing its service offering or going in for a price hike of its existing services. For example, when a fast food chain increases the price of its existing products, the staff has to handle multiple customer queries regarding the hike. Lack of a satisfactory explanation would signify poor service standards and lead to customer dissatisfaction.

2- Reactive Approach: A reactive approach basically consists of resorting to a predetermined service recovery mechanism once a customer complains about poor service quality. It usually starts with apologizing to the customer and then taking steps to redeem the situation. The fundamental flaw with this approach is that, here the customer has already had a bad experience of the brand's service.

2.3.9.1 Measuring Service Quality:

Another crucial element to be kept in mind while seeking to maintain service quality is to have in place a metric for 'measuring' quality. The particular parameters selected would depend on the type of business, service model and the customer expectations. For example: at a customer service call centre of a telecom provider, the metric for measuring service quality could be the average time taken for handling a call or rectifying a complaint. For a fast food outlet, the metrics for measuring service quality of the sales staff could be the number of

bills generated as a percentage of total customer footfalls or the increase in sales month on month.

Once a system is put in place for measuring quality, a standard can then be mandated for the service standard the organization is seeking to maintain.

2.4 CHECK YOUR PROGRESS

(1) Define Service Marketing?

(2) What is Perishability?

(3) Identify Whether True/False:

- (a) Services marketing refer to the marketing of services as against tangible products.
- (b) Services are tangible.
- (c) Services are Heterogeneous in nature.
- (d) People are an element of Service Marketing Mix.

(4) Fill In The Blanks:

- (a) Services are _____ in nature.
- (b) The set of activities, facilities and conveniences offered by anyone to satisfy any type of need of any person can be said as _____.
- (c) There are _____ in the Service Marketing.
- (d) Production, distribution and consumption are simultaneous processes of _____.

2.5 CHALLENGES BEFORE SERVICE MARKETING IN CONTEXT OF TOURISM INDUSTRY:

It is a challenging task to manage a service or product industry. These challenges however are different and unique for each industry. Some of the challenges that are faced while managing, growing and making profit from a service industry are discussed below, these factors do not readily apply to the product industry.

1- Services are intangible and so customers cannot see or hold them before they buy it. Buyers are therefore uncertain about the quality of service and feel they are taking a risk. The buyer is unable to conceptualize and evaluate a service from beforehand. From the seller's perspective he finds it challenging to promote, control quality and set the price of the service he is provide. Unlike products the intangible nature of service causes difficulties to both client and the firm.

2- Defining and improving quality in the service industry is a major challenge. Unlike products very often services are produced and consumed simultaneously. As a result service quality management faces challenges that the product industry never ever comes across. In the product industry the manufacturer gets ample opportunity to test his products before they reach the market. In case of a

quality issue the problem is taken care of during the quality check and customer satisfaction is taken care of. However during service production the customer is right in front. To guarantee customer satisfaction in this scenario is a major challenge.

3- In case of the service industry the customer first needs to develop trust in the service organization before he buys their services. The client often gives more importance to the amount of faith he has on the service organization than the services being offered and their value proposition.

4- Service industry faces competition not only from fellow service industry but also from their clients who often question themselves whether or not they should engage a service at all.

5- Most of the product companies have dedicated sales staff while in the service industry the service deliverers often do the selling. Coordinating marketing, operations and human resource efforts is a tedious task.

6- Passion works for the service industry. More the passion, spirit and desire among the service staff more is the revenue generation and success generated every day. There is a direct correlation between staff passion and financial success and similarly lack of passion leads to failure in the service industry. Staffs need to be constantly motivated and efforts have to make to sustain employee commitment.

7- While testing new services is a constant challenge communicating about these services simultaneously is also not easy.

8- Setting prices does not come easily for service industry.

9- Standardization versus personalization is another major issue the service industry has to face.

2.6 SUMMARY:

In this unit we have discuss the meaning of service and how the marketing of services are different from the marketing of other products. Nature, types and importance of Service marketing are also been discuss. The elements of service marketing mix is also been covered in this unit.

A service may be define as the set of activities, facilities and conveniences offered by anyone to satisfy any type of need of any person can be said as service. In simple word we can say that the service is the benefit which is offered for sale or provided in connection with the sale of goods. Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.

2.7 GLOSSARY:

Marketing – It is the flow of goods and services from producer to consumers.

Service- It is the facility that satisfies the need.

Intangible- Something which cannot be touched or tasted.

Heterogeneity - Which cannot be exactly repeated even by the same service provider.

Perishability- Services cannot be stored, saved, returned or resold once they have been used.

Expectations - Consumer desire or want.

2.8 ANSWER TO CHECK YOUR PROGRESS:

(1) Services marketing refer to the marketing of services as against tangible products. The service is the benefit which is offered for sale or provided in connection with the sale of goods.

(2) Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.

(3) Identify Whether True/False:

- (a) True
- (b) False
- (c) True
- (d) True

(4) Fill In The Blanks:

- (a) Intangible
- (b) Service
- (c) Seven P's
- (d) Service

2.9 REFERENCES:

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2.10 SUGGESTED READINGS:

- Principles of Marketing: C.N. Sontakki
- International Marketing: R. Srinivasan
- Marketing Management: Mukesh Dhunna
- Basics of Marketing Management: Dr. R.B. Rudani
- Marketing Management: C.N. Sontakki

2.11 TERMINAL QUESTIONS:

Q1. Define the meaning of Service? Discuss nature, type and importance of services?

Q2. Differentiate between Goods and Services?

Q3. Discuss the elements of Service Marketing Mix?

Q4. Explain the challenges faced by the service industry in marketing of Services?

UNIT 3: BASIC CONCEPT OF MARKET RESEARCH, MARKET SEGMENTATION AND MARKET TARGETING DEMAND FORECASTING

STRUCTURE

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Meaning of Market Research
- 3.4 Check Your Progress-1
- 3.5 Market Segmentation
- 3.6 Check Your Progress-2
- 3.7 Demand forecasting
- 3.8 Check Your Progress-3
- 3.9 Summary
- 3.10 Glossary
- 3.11 Answer to Check Your Progress- 1, 2 and 3.
- 3.12 References
- 3.13 Suggested Readings
- 3.14 Terminal Questions

3.1 INTRODUCTION:

In the previous lesson you have learn about the meaning of Services, difference between product and service, its characteristics. You have also learn about marketing of services, what are the factors for the success of marketing of service. In this you will study various concept of market research its nature and also the importance of market research. Market segmentation and demand forecasting is also being discussed in this lesson.

Market Research the process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face

Market segmentation is act of dividing market into homogeneous units, each of which of its units has different wants motivation etc. To meet these different demands, different products are developed. Market segmentation takes

place on the basis of various ground like Geographic, demographic, income, and age group etc. Demand forecasting simply means to estimate company sales for a specific period.

3.2 OBJECTIVES:

After studying this unit you will able to learn:-

- Meaning of market research
- Objectives of market research
- Types of market research
- Market research process
- Methods of market research
- Market segmentation
- Advantage of market segmentation
- Bases for market segmentation
- Demand forecasting
- Techniques of demand forecasting

3.3 MEANING OF MARKET RESEARCH:

"Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing." Market Research is a systematic, objective collection and analysis of data about a particular target market, competition, and/or environment. It always incorporates some form of data collection whether it be secondary research (often referred to as desk research) or primary research which is collected direct from a respondent.

In other words, market research allows businesses to make decisions that make them more responsive to customers' needs and increase profits. The purpose of any market research project is to achieve an increased understanding of the subject matter. With markets throughout the world becoming increasingly more competitive, market research is now on the agenda of many organisations, whether they be large or small.

Small business owners use market research to determine the feasibility of a new business, test interest in new products or services, improve aspects of their businesses, such as customer service or distribution channels, and develop competitive strategies. While market research is crucial for business start up, it's also essential for established businesses. It's accurate information about customers and competitors that allows the development of a successful marketing plan. While it's common for businesses to hire market research companies to conduct market research for them, it is possible for small business owners to do their own. For an explanation of the basics of market research and tips on designing your own market research surveys and questionnaires.

3.3.1 Objectives of Market Research:

- To study needs, wants and expectations of the customers.
- To find out reactions of customers to products of the company.
- To study current marketing problems and opportunities for suitable follow up.
- To evaluate company's sales promotion measures for suitable adjustment and improvements.
- To suggest introduction of new products, modification of existing products.
- To study marketing competition, channel of distribution and pricing for suitable changes if necessary.
- To find methods for making the product popular and raising its goodwill and marketing reputation.

3.3.2 Types of Market Research:

Market research is the process of finding information about your competitors, current market trends or your customers. Most companies invest in market research when they release a new product, improve on an existing product or if they plan on introducing a particular product in a new market. Market research can also prove helpful if you want to explore business opportunities in new markets. Market research can be conducted by two methods, primary research or secondary research.

1- Primary Market Research: Primary research refers to information that is directly collected from the source. Another simple method of primary research would be to directly talk to your customers and get their feedback. Primary research can be both qualitative and quantitative.

(A) Qualitative Primary Research: Qualitative primary research involves gathering information from interviews or focus groups.

- Open-ended interviews include questions that cannot be answered with a yes or no. You can get a lot of information from such interviews and also find out about the dislikes, likes, requirements, trends and emotional motivators of your primary market
- A focus group should ideally be led by experienced professionals who can lead a group of 6 or more people and ask them both general and specific questions. Since trained professionals are required to handle focus groups, they are very expensive

(B) Quantitative Primary Research: Quantitative primary research involves the collection of numerical information from surveys. This information is then analyzed.

- Surveys can provide you with the information you require if the survey has meaningful questions. More people would be willing to take a survey as it takes less time. The cheapest and easiest way of conducting a survey is through the telephone and on the place where your product is being sold

2- Secondary Market Research: Secondary research is more economical and easier to do when compared to primary research. Here you will have to analyze

the information that has been collected for some other reason. You can find the data that you require through a set of articles, demographic/ statistical data, studies etc. By investing in secondary market research you can analyze your target markets, evaluate your competitors and assess political, social and economic factors. The internet has a large number of secondary data sources and most resources, magazines and press releases are now available online.

There are a large number of resources from which secondary research information can be obtained. Some of these sources are:

- **Trade Associations:** From the reports available with trade associations you can get information on the industries served, the standards that they observe and the leaders in their field. You can also get information on the latest trends, issues and competitors.
- **The Marketing Departments of Local Colleges:** The marketing department of any college can give you access to special research projects and reports prepared by students.
- **Chamber of Commerce:** The local chamber of commerce in your area can give you information on your local community and local businesses. You can also get access to the maps of the area.
- **Insurance Companies, Banks And Real Estate Companies:** You can information on the statistics of the communities to whom they provide services.
- **Wholesalers and Manufacturers:** From manufactures and wholesalers you can get information on customers, problems if any, costs, industry standards etc. In the reference sections of libraries and information centres you can find a lot of resource materials and data.
- **Books and Publications:** There are several books that can give you information on a particular type of industry or market. Trade journals are another excellent source for information. You can also get information from government publications.
- **Magazines and Newspapers:** You can get a lot of information from news events and get the latest information on politics, economic indicators etc. The archives of leading newspapers and magazines can provide you with a wealth of information. Industry journals are another source of information.
- **Media Representatives:** Media representatives who work with print, audio or audio-visual media mostly collect information on the markets that their viewers, readers and listeners are interested in.
- **Competitors:** By researching on the price, products/services, brochures and reports of your competitors you can get a greater insight on how to move forward in your business.
- **Business Information Centres:** Such centres usually have a large collection of videos, books, CDs, publications and other information that are helpful for small businesses.

- **Federal Government Resources:** You can get in-depth demographic data related to the economy, market or population.
- **Regional Planning Organizations:** If you are looking for data on a community's past or current growth trend, you can look up the resources of regional planning organizations.

3.3.3 Market Research Process:

The market research process involves a round of separate stages of data interpretation, organization and collection. These stages could be considered as a benchmark of market research, but it depends on an organization how they have encapsulated their strategies to follow this process. Hence some of the interlinked stages could be conducted repeatedly and some of the stages can also be omitted. Given below is a typical market research process which is depicted stage-wise:

(A) Defining The Problem or Need: The starting phase is always identifying the reason or problem for which research is to be conducted. This includes collecting of relevant initial information and how this information will affect decision making process. It also includes defining problems after discussing with decision makers of the organization. Once the problem is defined precisely and the need of research is discussed, the further process could be conducted in an efficient manner.

(B) Determining Who Will Do The Research: Once the initial stage of defining the problem and the need of research is done, it is important to determine who will do the research and what will be the approaches to resolve these problems. This involves creating a problem solving framework and analytical models after discussing it organization experts. In this sample case studies are created according to the defined framework by enforcing the relevant information and secondary data.

(C) Picking out the Appropriate Methodology: A specific methodology is entailed by the research professional after identifying the specific needs and exploring the case studies. It may include a combination of specific approaches like telephone survey, web or email survey, one-to-one interviews, secondary research etc.

This methodology acts as a blueprint of research process and following basic steps:

- Methods for collecting and preparing quantitative information.
- Determining the need of this information.
- Scaling and measuring procedures.
- Designing sample Questionnaire.
- Formulating case studies and sampling process.
- Planning information analysis.

(D) Data Collection Process: This process includes field work and desk work for collecting all relevant data and information. Field work includes interviewing the

personals by interacting them face to face by visiting them in home or offices or arranging group meetings at any preferred place. Desk work includes contacting personals over telephone or via series of emails and web meetings. This could take comparatively more time as compared to the field work. Involving experienced and trained executive for this helps in reducing data collection errors.

(E) Data Preparation, Tabulation and Analysis of Results: After the data collecting stage the collected data is edited, corrected if required and validated. This process is the most important process in the research as the results are generated on the basis of data preparation. So it is required for an organization to verify the authenticity of the collected data and edit or correct it if needed. The final data is then segmented according to the business standards and inserted into the CRM database in a more tabulated form so that search or combination could be made easily.

(F) Presentation and Report Generation: The entire process is properly documented with respect to organizational standards so that it can be referred in future for decision making process or to change or modify any specific process or module. This document contains overall architecture of the project depicting all the processes with the help of tables, graphs and figures to provoke impact and clarity.

3.3.4 Methods of Market Research:

While there are many ways to perform market research, most businesses use one or more of five basic methods: surveys, focus groups, personal interviews, observation, and field trials. The type of data you need and how much money you're willing to spend will determine which techniques you choose for your business.

1- Survey: With concise and straightforward questionnaires, you can analyze a sample group that represents your target market. The larger the sample, the more reliable your results will be.

- In-person surveys are one-on-one interviews typically conducted in high-traffic locations such as shopping malls. They allow you to present people with samples of products, packaging, or advertising and gather immediate feedback. In-person surveys can generate response rates of more than 90 percent, but they are costly. With the time and labor involved, the tab for an in-person survey can run as high as \$100 per interview.
- Telephone surveys are less expensive than in-person surveys, but costlier than mail. However, due to consumer resistance to relentless telemarketing, convincing people to participate in phone surveys has grown increasingly difficult. Telephone surveys generally yield response rates of 50 to 60 percent.
- Mail surveys are a relatively inexpensive way to reach a broad audience. They're much cheaper than in-person and phone surveys, but they only

generate response rates of 3 percent to 15 percent. Despite the low return, mail surveys remain a cost-effective choice for small businesses.

- Online surveys usually generate unpredictable response rates and unreliable data, because you have no control over the pool of respondents. But an online survey is a simple, inexpensive way to collect anecdotal evidence and gather customer opinions and preferences.

2- Focus Groups: In focus groups, a moderator uses a scripted series of questions or topics to lead a discussion among a group of people. These sessions take place at neutral locations, usually at facilities with videotaping equipment and an observation room with one-way mirrors. A focus group usually lasts one to two hours, and it takes at least three groups to get balanced results.

3- Personal Interviews: Like focus groups, personal interviews include unstructured, open-ended questions. They usually last for about an hour and are typically recorded. Focus groups and personal interviews provide more subjective data than surveys. The results are not statistically reliable, which means that they usually don't represent a large enough segment of the population. Nevertheless, focus groups and interviews yield valuable insights into customer attitudes and are excellent ways to uncover issues related to new products or service development.

4- Observation: Individual responses to surveys and focus groups are sometimes at odds with people's actual behavior. When you observe consumers in action by videotaping them in stores, at work, or at home, you can observe how they buy or use a product. This gives you a more accurate picture of customers' usage habits and shopping patterns.

5- Field Trials: Placing a new product in selected stores to test customer response under real-life selling conditions can help you make product modifications, adjust prices, or improve packaging. Small business owners should try to establish rapport with local store owners and Web sites that can help them test their products.

3.4 CHECK YOUR PROGRESS- 1:

(1) Define Market Research?

(2) Discuss the type of Market Research?

(3) Identify Whether True / False

- (a) Market is a place of gathering of people physically.
- (b) Marketing research means searching something new and additional.
- (c) One to one marketing is direct marketing.
- (d) Marketing destabilises the economy.

3.5 MARKET SEGMENTATION:

People have different needs and values therefore marketer cannot address himself to the total population while designing a market mix for a given product or service. Hence every marketing manager knows that there is no such thing as a single market for any given product or a service. All markets are made up of segments and these segments are made up of sub segments.

A marketing segmentation is a meaningful buyer group having similar wants. Hence segmentation is consumer oriented marketing strategy. Market segmentation is the process of grouping buyers into different categories having common desires and needs.

According to Professor Philip Kotler “ It is the sub-dividing of a market into homogeneous sub-sects of customers where any sub-sects may conceivably be selected as a market target to be reached with a distinct marketing mix.

3.5.1 Advantage of Market Segmentation:

Various advantages of market segmentation are:

- 1- Helps distinguish one customer group from another within a given market.
- 2- Facilitates proper choice of target market.
- 3- Facilitates effective tapping of the market.
- 4- Helps divide the markets and conquer them.
- 5- Helps crystallize the needs of the target buyers and elicit more predictable responses from them, helps to develop marketing programmes on a more predictable base; helps develop market offer that are most suited to each group.
- 6- Helps achieve the specialization required in product; distribution, promotion, and pricing for matching the customer group and develop marketing offers and appeal that match the need of each group.
- 7- Makes the marketing effort more efficient and economic.
- 8- Helps concentrate efforts on the most productive and profitable segment, instead of frittering them over irrelevant, or unproductive, or unprofitable segment.
- 9- Helps spot the less satisfied segments and succeed by satisfying such segments.
- 10- Brings benefits not only to the marketer but also to the customer as well.
- 11- When segmentation attains high sophistication, customers and companies can choose each other and stay together.

3.5.2 Bases for Market Segmentation:

Markets can be segmented using several relevant bases. There are huge number of variables which leads to market segmentation. They comprise easy to determine demographic factors as well as variables on user behaviour or customer preferences. Segmentation is done for consumer market and industrial market. Consumer market can be segmented on the following customer characteristics.

- 1- Geographic Segmentation.
- 2- Demographic Segmentation.
- 3- Psychographic Segmentation.
- 4- Behaviouralistic Segmentation.

1- Geographic Segmentation: Potential customers are in a local, state, regional or national marketplace segment. If a firm selling a product such as farm equipment, geographic location will remain a major factor in segmenting your target markets since their customers are located in particular rural areas. While for retail store, geographic location of the store is one of the most important considerations, in this case city areas are preferred. Segmentation of customers based on geographic factors are:-

- (a) **Region:** Segmentation by continent / country / state / district / city.
- (b) **Size:** Segmentation on the basis of size of a metropolitan area as per its population size.
- (c) **Population density:** Segmentation on the basis of population density such as urban / sub-urban / rural etc.
- (d) **Climate:** - Segmentation as per climatic condition or weather.

2- Demographic Segmentation: Segmentation of customers based on demographic factors are:

(a) **Age (dominant factor):** Segmentation is done on the basis of age of person. Example Titan has segmented its product according to different age group of person.

Titan's product segmentation on the bases of age:- Titan created a sub brand, Fastrack. These watches are specifically for young, vibrant, and cool outgoing young generation. While for older person and professional it has created the steel series watches and also the famous, Sonata.

Titan Fastrack (for the younger segment)

Steel-1077SM01 (for elder person and professional)

(b) **Income (dominant factor):** Segmentation is done on the basis of income level of a person. Example of Titan watches can be cited such as Titan offered Aurum and Royale in the gold/jewellery watch range with price ranges between Rs. 20000 to Rs.1 lakh.

Titan Nebula (Luxury segment watch)

For middle segment, Titan offered Exacta range in stainless steel, aimed at withstanding the rigours of daily life. There were 100 models in the range. Price ranges within Rs500-700.

For the third segment, Titan offered the Sonata range. The price range was between Rs.350 to 500.

Titan Sonata (Watch for the third segment)

(c) **Purchasing power (dominant factor):** Segmentation done on the basis of purchasing power of the customer.

3- Psychographic Segmentation: Psychographic Segmentation groups customers according to their life-style and buying psychology. Many businesses

offer products based on the attitudes, beliefs and emotions of their target market. The desire for status, enhanced appearance and more money are examples of psychographic variables. They are the factors that influence your customers' purchasing decision.

4- Behaviouralistic Segmentation: Markets can be segmented on the basis of buyer behaviour as well. Since all Segmentation is in a way related to buyer behaviour, one might be tempted to ask why buyer behaviour-based segmentation should be a separate method. It is because there is some distinction between buyer's characteristics that are reflected by their geographic, demographic and psychographic profiles, and their buying behaviour. Marketers often find practical benefit in using buying behaviour as a separate segmentation base in addition to bases like geographic, demographics, and psychographics.

3.6 CHECK YOUR PROGRESS- 2:

(1) Define Market Segmentation?

(2) Discuss the types of Market Segmentation?

(3) Fill in The Blanks:

- (a) Segmentation is the process of grouping buyers into different categories having.....desires and needs.
- (b) Market segmentation results indefinition of market.
- (c) Effective segmentation reactsto marketing efforts.
- (d) Segmentation is theto targeting.

(4) Identify whether True / False:

- (a) Market segment is act of dividing market into similar products.
- (b) Market segmentation is same as product differentiation.
- (c) Sound segment strategy results in bad allocation of resources.

3.7 DEMAND FORECASTING:

A demand forecasting is the prediction of what will happen to your company's existing product sales. It would be best to determine the demand forecast using a multi-functional approach. The inputs from sales and marketing, finance, and production should be considered. The final demand forecast is the consensus of all participating managers. You may also want to put up a Sales and Operations Planning group composed of representatives from the different departments that will be tasked to prepare the demand forecast.

Demand forecasting is inherently a customer focused activity. At the global level, the purpose of forecasting demand is to influence the supply of medicines and health products. This means that suppliers, who are expected to make investment decisions based on these forecasts, are important customers of forecasts. Ensuring the appropriate availability of drugs at an optimal price requires demand forecasting that has sufficient certainty around funding and

timing of orders to allow suppliers to confidently invest in production capacity. Other important customers are global and national health programs and Product Development Partnerships (PDPs) who require demand forecasts to size and design their supply chains, and to design and implement strategies to stimulate demand for new and existing products. National and international technical agencies and funders also use demand forecasts to make budget, program and market segmentation decisions, and to procure health products.

Demand forecasting helps us to control our inventory. The aim is to provide reliable, quality service to our clients while minimizing our inventory costs and maximizing our profit. We can use demand forecasting to balance our inventory. We want enough inventory to be able to supply our clients, but not too much, as this can be wasteful.

3.7.1 Techniques of Demand Forecasting:

Broadly speaking, there are two approaches to demand forecasting- one is to obtain information about the likely purchase behavior of the buyer through collecting expert's opinion or by conducting interviews with consumers, the other is to use past experience as a guide through a set of statistical techniques. Both these methods rely on varying degrees of judgment. The first method is usually found suitable for short-term forecasting, the latter for long-term forecasting. There are specific techniques which fall under each of these broad methods.

1-Simple Survey Method: For forecasting the demand for existing product, such survey methods are often employed. In this set of methods, we may undertake the following exercise.

(a) Experts Opinion Poll: In this method, the experts on the particular product whose demand is under study are requested to give their 'opinion' or 'feel' about the product. These experts, dealing in the same or similar product, are able to predict the likely sales of a given product in future periods under different conditions based on their experience. If the number of such experts is large and their experience-based reactions are different, then an average-simple or weighted –is found to lead to unique forecasts. Sometimes this method is also called the 'hunch method' but it replaces analysis by opinions and it can thus turn out to be highly subjective in nature.

(b) Reasoned Opinion-Delphi Technique: This is a variant of the opinion poll method. Here is an attempt to arrive at a consensus in an uncertain area by questioning a group of experts repeatedly until the responses appear to converge along a single line. The participants are supplied with responses to previous questions (including seasonings from others in the group by a coordinator or a leader or operator of some sort). Such feedback may result in an expert revising his earlier opinion. This may lead to a narrowing down of the divergent views (of the experts) expressed earlier. The Delphi Techniques, followed by the Greeks earlier, thus generates "reasoned opinion" in place of "unstructured opinion"; but this is still a poor proxy for market behavior of economic variables.

(c) Consumers Survey- Complete Enumeration Method: Under this, the forecaster undertakes a complete survey of all consumers whose demand he intends to forecast, Once this information is collected, the sales forecasts are obtained by simply adding the probable demands of all consumers. The principle merit of this method is that the forecaster does not introduce any bias or value judgment of his own. He simply records the data and aggregates. But it is a very tedious and cumbersome process; it is not feasible where a large number of consumers are involved. Moreover if the data are wrongly recorded, this method will be totally useless.

(d) Consumer Survey-Sample Survey Method: Under this method, the forecaster selects a few consuming units out of the relevant population and then collects data on their probable demands for the product during the forecast period. The total demand of sample units is finally blown up to generate the total demand forecast. Compared to the former survey, this method is less tedious and less costly, and subject to less data error; but the choice of sample is very critical. If the sample is properly chosen, then it will yield dependable results; otherwise there may be sampling error. The sampling error can decrease with every increase in sample size

2- Complex Statistical Methods: We shall now move from simple to complex set of methods of demand forecasting. Such methods are taken usually from statistics. As such, you may be quite familiar with some the statistical tools and techniques, as a part of quantitative methods for business decisions.

(a) Time Series Analysis or Trend Method: Under this method, the time series data on the under forecast are used to fit a trend line or curve either graphically or through statistical method of Least Squares. The trend line is worked out by fitting a trend equation to time series data with the aid of an estimation method. The trend equation could take either a linear or any kind of non-linear form. The trend method outlined above often yields a dependable forecast. The advantage in this method is that it does not require the formal knowledge of economic theory and the market, it only needs the time series data. The only limitation in this method is that it assumes that the past is repeated in future. Also, it is an appropriate method for long-run forecasts, but inappropriate for short-run forecasts. Sometimes the time series analysis may not reveal a significant trend of any kind. In that case, the moving average method or exponentially weighted moving average method is used to smoothen the series.

(b) Barometric Techniques or Lead-Lag Indicators Method: This consists in discovering a set of series of some variables which exhibit a close association in their movement over a period or time.

For example, it shows the movement of agricultural income (AY series) and the sale of tractors (ST series). The movement of AY is similar to that of ST, but the movement in ST takes place after a year's time lag compared to the movement in AY. Thus if one knows the direction of the movement in agriculture income (AY), one can predict the direction of movement of tractors' sale (ST) for

the next year. Thus agricultural income (AY) may be used as a barometer (a leading indicator) to help the short-term forecast for the sale of tractors.

(c) Correlation and Regression: These involve the use of econometric methods to determine the nature and degree of association between/among a set of variables. Econometrics, you may recall, is the use of economic theory, statistical analysis and mathematical functions to determine the relationship between a dependent variable (say, sales) and one or more independent variables (like price, income, advertisement etc.). The relationship may be expressed in the form of a demand function, as we have seen earlier. Such relationships, based on past data can be used for forecasting. The analysis can be carried with varying degrees of complexity. Here we shall not get into the methods of finding out 'correlation coefficient' or 'regression equation'; you must have covered those statistical techniques as a part of quantitative methods. Similarly, we shall not go into the question of economic theory. We shall concentrate simply on the use of these econometric techniques in forecasting.

3.8 CHECK YOUR PROGRESS- 3:

(1) Define Demand forecasting?

(2) Discuss the techniques of Demand forecasting?

3.9 SUMMARY:

In this unit we have discuss the meaning of market research, its objectives and method of market research. Market segmentation and demand forecasting is also been explain in this lesson. Market Research the process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face

Market segmentation is act of dividing market into homogeneous units, each of which of its units has different wants motivation etc. To meet these different demands, different products are developed. Market segmentation takes place on the basis of various ground like Geographic, demographic, income, and age group etc.

Demand forecasting simply means to estimate company sales for a specific period. A demand forecasting is the prediction of what will happen to your company's existing product sales. Demand forecasting helps us to control our inventory. The aim is to provide reliable, quality service to our clients while minimizing our inventory costs and maximizing our profit. We can use demand forecasting to balance our inventory. We want enough inventory to be able to supply our clients, but not too much, as this can be wasteful.

3.10 GLOSSARY:

- **Market-** A place where business is conducted.
- **Market Research-** process of gathering, analyzing and interpreting information about a market,
- **Segmentation** – Act of dividing unit into sub unit according to the homogeneity.
- **Demand Forecasting-** To estimate company sales for a specific period.
- **Elimination** –Process of withdrawal is said as elimination.

3.11 ANSWER TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

(1) Market Research the process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service.

(2) Primary research refers to information that is directly collected from the source. Another simple method of primary research would be to directly talk to your customers and get their feedback. Primary research can be both qualitative and quantitative.

Secondary research is more economical and easier to do when compared to primary research. Here you will have to analyze the information that has been collected for some other reason. You can find the data that you require through a set of articles, demographic/ statistical data, studies etc.

(3) Identify Whether True/False:

- (a) False
- (b) True
- (c) True
- (d) False

CHECK YOUR PROGRESS-2

(1) A marketing segmentation is a meaningful buyer group having similar wants. Hence segmentation is consumer oriented marketing strategy. Market segmentation is the process of grouping buyers into different categories having common desires and needs.

(2) Geographic Segmentation. Demographic Segmentation, Psychographic Segmentation. Behaviouralistic Segmentation.

(3) Fill In the Blanks:

- (a) Common
- (b) Precise
- (c) Uniquely
- (d) Stepping stone

(4) Identify Whether True/False:

- (a) True
- (b) False
- (c) False

CHECK YOUR PROGRESS-3

(1) A demand forecasting is the prediction of what will happen to your company's existing product sales. It would be best to determine the demand forecast using a multi-functional approach.

(2) Simple Survey Method and Complex Statistical Methods

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3.13 SUGGESTED READINGS:

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- International Marketing: R. Srinivasan
- Marketing Management: Mukesh Dhunna
- Basics of Marketing Management: Dr. R.B. Rudani
- Marketing Management: C.N. Sontakki

3.14 TERMINAL QUESTIONS:

- Q1.** Define Market Research. Discuss its objectives?
- Q2.** Explain the types and process of market research?
- Q3.** Briefly discuss various method of market research?
- Q4.** What do you mean by Market Segmentation? Discuss the bases of market segmentation?
- Q5.** Define demand forecasting. Explain its Techniques?

UNIT 4: CRITICAL ASSESSMENT OF CHANGING TOURISM MARKET – DESTINATION DYNAMISM AND VARIOUS INFLUENCING FACTORS TO THIS EFFECT

STRUCTURE

- 4.1 Introduction
- 4.2 Objectives
- 4.3 Meaning of Destination
- 4.4 Factors Influencing Tourist Destination
- 4.5 Check Your Progress-1
- 4.6 Summary
- 4.7 Glossary
- 4.8 Answer to Check Your Progress- 1
- 4.9 References
- 4.10 Suggested Readings
- 4.11 Terminal Questions

4.1 INTRODUCTION:

In the previous unit, you have learnt about the meaning of marketing research, objectives of market research, types of market research and the process of market research. Market segmentation is also been define in this unit.

How a market research helps in the analysing the market value of a product and development of a particular product or service.

Market research helps the marketing manager to identify the need or desire of the customers. Market Research the process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face.

In this unit you will study about the meaning of a tourist destination, what are changes that affect the tourism of a particular destination? You will also study about the effects of these changes on a particular tourist destination.

At a destination there is a mix of interdependent elements. The elements are interdependent, because in order to produce a satisfying vacation experience, all elements must be present. The destination is composed of

attraction it is the sum of interests, activities, facilities, infrastructure and attractions create the identity of a place.

4.2 OBJECTIVES:

After studying this unit you will be able to learn:-

- Meaning of Destination
- Benefits of Tourist Destination
- Factors influencing Tourist Destination

4.3 MEANING OF DESTINATION:

One of the most frequently used words in tourism is 'destination', but it is used very differently by different actors. This raises the question if it is at all meaningful to continue working with it, because the word spreads confusion rather than brings clarity because there seemingly is some systematic self-contradictions in the use of the word. Such as the destination as a narrative or as an attraction or as a geographical unit or as an empirical relationship or as a marketing object or as a place where tourism happens.

At a destination there is a mix of interdependent elements. The elements are interdependent, because in order to produce a satisfying vacation experience, all elements must be present. The destination is composed of attraction it is the sum of interests, activities, facilities, infrastructure and attractions create the identity of a place. It has a static dimension – the place – and a dynamic dimension – the mix and agglomeration of agents and products/services, varying with the tourists' historically different demand.

Development of tourism is accompanied by multi-aspects including qualitative and structural transformations. The recent geopolitical changes made in different regions of the world has had a great influence on the scale and structure of tourism. The downfall of communism and democratisation of societies in former socialist countries are events which have an impact on modern tourism, and other parts of the world have witnessed similar processes within their societies. The development of international tourism will take on new dynamic and important changes in spatial structures. Generally speaking an increase in share of the tourist structure shows no connection with an increase in share of the profit structure. There is no guarantee of an even distribution in the benefits of tourism.

4.3.1 Benefits of Tourist Destination:

It is not hidden that tourism is among India's important export industries. Even with comparatively low levels of international tourist traffic, tourism has already emerged as an important segment of the Indian economy. Tourism also contributed to the economy indirectly through its linkages with other sectors like horticulture, agriculture, poultry, handicrafts and construction.

Tourism provides a major economic development opportunity for many countries and a means of improving the livelihoods of its residents. Both the public and private sectors involved in tourism depend on planning to achieve sustainable tourism development that respects the local community, creates appropriate employment, maintains the natural environment, and delivers a quality visitor experience. However, many tourism destinations have pursued development without proper planning and without considering the many impacts such development will bring to the community. This session will discuss tourism planning approaches to achieve the goals and objectives of tourism development for a destination.

For the purposes of discussion, a tourism destination can mean an entire country, a region, an island, a resort area, or a single project. The tourism plan is generally a formal document to guide both public sector and private sector development activities. Destination planning includes many different forms of planning such as economic development planning, land use planning, infrastructure planning, and social services planning and involves many groups with different perspectives including governments, private investors and developers, and local communities.

4.4 FACTORS INFLUENCING TOURIST DESTINATION:

The end of the twentieth century was a time of great transformation in all fields of life. There were many fast paced changes throughout social conditions, the economy, and technology, which brought about many transitions within tourism. The constant tendencies to observe and gain knowledge about the markets basic condition are needed to succeed with each activity and the trends within tourism can change quickly.

The ability to forecast and stimulate these developmental processes is the key to making the correct decisions for the future. The fluxuation and competition within the tourist market not only requires constant observation and the ability to anticipate change, but also being able to react to the new trend before it becomes the norm. This shows the importance of knowledge in the action of these megatrends, which can be classified into six basic groups; demographics, politics, social and cultural, economics, technology, and ecology. In each of these groups there are positive factors, which will either stimulate or deter the development of tourism, each with variability in strength and effect. These constituents will decide about the dynamics and expansion of tourism with the difficulty being verification. These factors, especially demographics, social, cultural, ecology, and technology hold a strong influence on the maturation of tourism.

As part of the wider economic and social system, tourism is affected by system developments and dynamics. Consequently, the factors that will affect socioeconomic development in the future include – among others – those that will affect tourism development. The development stage for each tourism

destination, combined with the general competitiveness of the economy surrounding it, creates a different intensity and form of influence. In any case, there is a minimum number of factors that will affect all tourism destinations in the future.

One of the most significant is the intense segmentation of the mass market. There is no longer one mass market for leisure time, but a number of 'discrete mass markets' and increasing specialization, resulting in a variety of distinct traffic flows, often moving in different directions. During the recession of the early 1990s when packaged travel fell substantially and US travel to Europe suffered catastrophic decline, total movement in many areas and many resorts did not diminish. Package travel was replaced by individual travel. New tourism flows replaced the absent American visitors.

Determinants of demand are the fundamental factors governing the market and together represent the market forces which control destinations and industry services. They are made up of demographic, economic and social influences. These shape consumer preferences, which govern the demand for travel attractions, and the special satisfactions at the destination – the true tourist product. On the supply side, industry responds through product development and price. The factors that affect the tourist destination are as follows

(a) Demographic Trend: The major world tourism markets in the older industrialized countries, Europe and North America, are affected by major changes, principally the increase in the proportion of older people in the population and a corresponding reduction in children, younger people, and in the active population making up the labour force. Such changes have both good and bad effects on tourism flows. The situation may well alter in the future, but demographic influences by their nature are longer term in their impacts.

(b) Economic Influence: New emerging industrialized countries benefit from new technology which represents a second industrial revolution. They can and do become rich very quickly; for example, Japan has a massive balance of payments and export surplus, whereas the USA and Britain have had large deficits. In recent years a number of European countries have greatly increased wealth and standard of living, e.g. Germany, but also Spain, Portugal and Ireland. Again Britain has lost out, falling behind in relative position. There has been a correlation in the past between GDP and tourism expenditure which in industrialized countries may rise at twice the GDP rate of increase. This may no longer be true in all cases, as structural change weakens the propensity to consume. These changes are very substantial and affect consumer preferences and behaviour. In tourism terms, Germany is now close to the US as the chief tourism-originating country. Germans are the principal travellers in the international movement in Europe. But the formerly poorer countries, Spain and Italy for example, are now the source of a rapidly expanding outward movement.

Economic and trade effects can have major and sometimes volatile impacts on tourism flows, as inflation and variations in exchange rates

influence travel movement to a major extent. These influences and instabilities are likely to be a feature of future expansion.

(c) Social and Life Style Changes: In the principal tourism markets the population, and especially the 'travelling population', have increased their personal disposable income very considerably in recent years. They are more mobile, take more frequent trips and travel farther away from home. A growing and substantial number are sophisticated travellers. New aspirations or an objective in travel, leading to intense segmentation and specialization, has altered seasonal patterns and type of services demanded, notably an increasing insistence on quality.

Substantial benefits for the industry follow major improvements in seasonal flow and such improvements can continue as marketing expertise improves. But destinations in demand have altered. For some, the tide is going out, presenting great difficulties for the local trades and infrastructure.

(d) Climate Change: Climate change is indeed a highly significant issue for the global tourism industry: less acute than wars and terrorism, but larger scale and longer lasting. The subsectors of the tourism industry most affected by climate change will be smaller fixed-site operators or destinations which rely heavily on a single natural attraction - such as snow, reefs or wildlife - that happens to be particularly susceptible to climate change. Even in these cases, however, there are opportunities to re-position either the product or the target market segment so as to maintain revenue. The key in these cases will be forethought and innovation, to maintain a competitive position as corresponding adjustments occur worldwide. There are four main links between tourism and climate change:

- Contributions of tourism to climate change, and ways to mitigate or offset them
- Increased travel costs because of mitigation measures, and consequences for travel patterns
- Changing climates in countries of origin, and effects on outbound and domestic tourism
- Changing climates at destinations, and effects on their attractiveness, safety and comfort.

It can be considered in three sub-categories: artificial climates, climatic variability, and climatic means. Artificial climates provide a buffer against climate change, particularly in urban destinations, simply through changing heating and air-conditioning. If the natural attractions at a tourism destination are affected by climate change, the simplest response is to substitute artificial attractions: swimming pools instead of beaches, shops instead of ski slopes. Changes to climatic variability include, e.g., more storms and floods, and more droughts and heat waves leading to wildfires and coral bleaching. The tourism industry too can actively adopt such protective measures, either independently or in conjunction with government and other landholders. The main approaches include upgrading buildings and infrastructure, and improving emergency provisions. Changes to

climatic means may affect, e.g., skiable snow, beach configurations, river flows and lake levels, icon wildlife species, and so on. The principal response is to change the tourism products on offer, re-position the destination accordingly, and target new markets.

The major theme is that of extreme weather events: their immediate impacts on tourist safety, attractions and infrastructure; and their longer term effects on competition between destinations. There is already a significant academic literature on disaster response and crisis management in tourism, which can be applied here.

Another theme is in predicting how natural attractions for tourism may be modified by climate change, and how tourists may change their travel patterns accordingly. This theme covers not only direct impacts of climate change on parks and beaches, water and wildlife; but also the indirect impacts on tourism as the social frameworks for access to these attractions change in response to changing climates.

4.5 CHECK YOUR PROGRESS- 1:

(1) Define the term Destination?

(2) Write down the factors affecting the Tourism Destination?

(3) Identify Whether True/False:

- (a) Demographic trend is concern with the population.
 - (b) Climatic change is related with the geographical condition of particular destination.
 - (c) Destination is a mixture of dependent elements.
 - (d) Destination provides employment to the people.
-

4.6 SUMMARY:

In this unit we have discuss about the meaning of tourist destination, benefits of tourist destination. The factors that affect the tourist destination is also been define in this unit. At a destination there is a mix of interdependent elements. The elements are interdependent, because in order to produce a satisfying vacation experience, all elements must be present. The destination is composed of attraction it is the sum of interests, activities, facilities, infrastructure and attractions create the identity of a place.

Development of tourism is accompanied by multi-aspects including qualitative and structural transformations. The recent geopolitical changes made in different regions of the world has had a great influence on the scale and structure of tourism. The downfall of communism and democratisation of societies in former socialist countries are events which have an impact on modern tourism, and other parts of the world have witnessed similar processes within their societies.

The development of international tourism will take on new dynamic and important changes in spatial structures. Generally speaking an increase in share of the tourist structure shows no connection with an increase in share of the profit structure. There is no guarantee of an even distribution in the benefits of tourism. Demographics, social, cultural, ecology, and technology hold a strong influence on the maturation of tourism. These factors affect the development of a particular tourist destination.

4.7 GLOSSARY:

- **Demography-** It is related with population age sex etc.
- **Destination-** It is concern with area where attraction is located.
- **Tourism-** It is a kind of activity concern with the movement of people takes place.
- **Tourist-** A person who travel at a particular destination.
- **Climate-** It is the weather condition for a longer period of time.

4.8 ANSWER TO CHECK YOUR PROGRESS:

(1) The destination is composed of attraction it is the sum of interests, activities, facilities, infrastructure and attractions create the identity of a place. The elements are interdependent, because in order to produce a satisfying vacation experience, all elements must be present.

(2) Demographics, social, cultural, ecology, and technology hold a strong influence on the maturation of tourism. These factors affect the development of a particular tourist destination.

(3) **Identify Whether True/False:**

- (a) True
- (b) True
- (c) False
- (d) True

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4.11 TERMINAL QUESTIONS:

Q1. Discuss in detail the term Destination?

Q2. What are the benefits of Tourist Destination?

Q3. Discuss the various factors that affects the Tourist Destination?

**BLOCK 2:
MARKETING STRATEGIES AND
CONTROLLING MARKETING PROGRAMME**

UNIT 5: PRODUCT POSITIONING AND NEW PRODUCT DEVELOPMENT STRATEGIES

STRUCTURE

- 5.1 Introduction
- 5.2 Objectives
- 5.3 Meaning of Product positioning
- 5.4 Check Your Progress-1
- 5.5 New Product Development Strategies
- 5.6 Check Your Progress-2
- 5.7 Summary
- 5.8 Glossary
- 5.9 Answer to Check Your Progress- 1, 2.
- 5.10 References
- 5.11 Suggested Readings
- 5.12 Terminal Questions

5.1 INTRODUCTION:

In the previous unit, you have learnt about the critical assessment of changing tourism. What are the factors which affects a particular destination? But in this unit you will learn about how to create an image of a product in the mind of consumers. Product positioning implies occupying permanent position of the products in the target market. You will also learn how a new product should be introduced in the market where such a large competition is there.

Product positioning is the process of differentiating company's total offering from competitors so as to make the consumers admire and favour those offers with reference to competitors.

Product positioning consists of describing the customers how the company differs from current and potential competitors. It is one of the vital tasks of marketing manager in competitive market situation.

5.2 OBJECTIVES:

After studying this unit you will able to learn

- Meaning of Product positioning
- How Is Your Product Perceived
- Steps of Product Positioning
- Meaning of New Product Development
- History of New Product Development

- Types and Sources of New Products
- New Product Development Process
- Causes of Failure of New Product
- Strategies To Development New Product

5.3 MEANING OF PRODUCT POSITIONING:

Product positioning is an act of promoting superior aspects or the key differentiations of the products in the mind of target market. According to Philip Kotler "Product positioning is the act of designing the company' offering and image so that they occupy a meaningful and distinct competitive position in the target consumer mind"

Product positioning involves tailoring an entire marketing programme including product attributes, image, and price, as well as packaging, distribution, and service to meet the needs of consumers within a particular market segment. In this way, product positioning is part of the overall process of market segmentation, but involves a narrowing of focus. "Segmentation analysis tells us how the market is defined and allows us to target one or more opportunities," Glen L. Urban and Steven H. Star wrote in their book *Advanced Marketing Strategy*. "Product positioning takes place within a target market segment and tells us how we can compete most effectively in that market segment."

The key to product positioning understands the dimensions consumers use to evaluate competing marketing programs and make purchase decisions. It may be helpful for small business managers to create a graph in order to map consumer perceptions along several different dimensions. Once consumer perceptions are understood, the next step is to select the best positioning for the product and take steps to align the marketing program behind this positioning choice. Some examples of possible positioning choices include quality, reliability, and unique features or benefits. Before delving into product positioning further,

5.3.1 How Is Your Product Perceived?

An official product positioning definition is: a consumer's view of a product or service compared to its competition. Here are some critical considerations to achieve product positioning beyond pricing, appearance, quality and endorsements:

1- Product Perception: Even though you have a great logo, name, and slogan, you still must position your product properly, starting with how the product is perceived. How does the buyer view the product and why? What's her opinion of the producer? You can position your logo and package to address the market, but be sure to position the product properly to achieve a productive perception.

2- Where Does It Fit: Does your product fit in a category, at a price point, and in a certain size, dimension, or use or provide a certain service? It's hard enough selling your product, but if it doesn't fit into an established category, get ready for years of tedious missionary work. Picasso came up with a completely new style

of art, but he positioned his product in a way that fit within existing perimeters: paintings and sculptures. What if he'd gone wild and broken all the rules? We might not know him today. When we started the Barefoot Wine brand, many supermarkets would not take it because it was not vintage-dated. They said, "We can't sell it because it doesn't have a year on it." We had to work hard to convince them that our market cared more about spinach than they did about vintage. Barefoot wanted to position itself to our consumers as a staple grocery item. Our customer didn't think, "What's the vintage on this wine? Was that a good year?" She thought, "Does it taste the same as last time?"

3- Does Its Packaging Complement Its Distribution Requirements: Your distributors and retailers are "consumers," as well as the end-user? Ensure that your product is packaged and labelled in the proper manner to reach each link in the distribution channel without difficulty. Is it in a package that can be located where it will get the most attention? Bull Frog Sunblock, for example, was originally sold at convenience stores along the Pacific Coast Highway in S. California. It was designed to fit in a box on the counter, making it a last-minute notion item. It worked beautifully, and sold well from this position. This is an excellent example of product positioning. Once you've surveyed your distribution system, go back and take another look at your product and packaging design. It doesn't matter how it looks, how its priced, or how its ranked, because if it can't get through the distribution system it will never get bought by the end user.

5.3.2 Steps of Product Positioning:

Positioning is the strategic process of analyzing a brand and identifying what makes it relevant and unique. When done well, it should result in a compelling perception of a product relative to its competitors'. A sound positioning strategy can then be used to facilitate creative communications. In general, positioning must achieve three critical goals: It must be relevant, it must be differentiating and it must be simple. As a rule, products that are poorly differentiated fail to realize their full growth potential and tend to lose market share over time. Unfortunately, the financial and opportunity costs associated with unoriginal, copycat positioning can compromise the momentum of highly effective therapeutic products in the marketplace. Although mimicry is usually unintentional, almost three-fourths of all product positioning mimics competitor positioning. Developing a sound positioning statement is a highly creative process that is driven not only by ingenuity, intuition, and innovative thinking, but also by a smart strategy based on both quantitative and qualitative research. To be successful, you must be willing to adhere to an effective positioning methodology. Following are the key steps for product positioning.

1- Conduct interviews with practitioners in your product's therapeutic niche to gain relevant insights. Preliminary surveys can be conducted over the phone. Present the product attributes to the physician and allow the interviewee to pick out what is most important to him or to her. Then you can start to answer

questions that will help you formulate your positioning strategy. How is a given disease treated? What drives prescribing decisions? What are the unmet needs? How do physicians feel about the various available treatment options? Remember that physicians are constantly comparing products, because that is a critical part of their job.

2- Assess the competition. How are competitor products positioned? Do their attributes support their positioning statements? What are the key claims? How is promotion being handled? How do competitor products address the needs of prescribing physicians? Eventually, you should become so well acquainted with the competitive landscape that you can anticipate your competitors' next steps.

3- Develop a thorough scientific understanding of your product's clinical attributes and features. Gain a clear understanding of the therapeutic area, including treatment guidelines and algorithms and the factors that constitute therapeutic success. Work with Medical Affairs to decipher data and to appreciate subtle nuances that may facilitate product differentiation.

4- Conduct internal positioning workshops with your team. Start to parse and reconcile all of the information gathered during the "due diligence" part of the positioning process. Brainstorm and explore various positioning ideas for testing. The goal is to choose five to six different positioning options and start testing them.

5- Create positioning statements. Good positioning often promises an emotional benefit, without stating it directly. For example, a promise such as, "Drug X makes people with Condition X feel better, because it's effective, safe and tolerable" would be unlikely to improve the perception of the drug relative to its competitors who make similar claims.

6- Conduct qualitative positioning testing to provide a diverse range of subjective viewpoints about your product. Make sure to hire a market research company that knows how to conduct qualitative research. Market research specialists should be gifted communicators, adept at picking up subtle changes in vocal tone and body language. They should also enjoy interacting with interviewees and know how to engage them in a meaningful way. Starting with one-on-one interviews with physicians, discuss your product's profile and gauge physicians' reactions to your preliminary positioning statements. Make sure to choose a sufficient sample population in different locations to obtain a representative cross-section of practitioners.

7- Uncover emotional connections to your brand. You can use various types of market research methods, such as personification, psychographic and ethnographic research among current and potential customers to uncover underlying emotional issues related to a brand and to gain insight into the subconscious perception of your product. Using personification is a relatively new and extremely productive methodology. When using this tool, the moderator asks a series of questions that project a human aura onto your product, such as "Where was drug X born? Where did it go to school? What kind of books and

sports does drug X like? While it may sound odd, personification yields unexpected responses that allow you to see how people perceive a product.

8- Conduct quantitative market research to refine insights about your positioning options. Quantitative research, which adds a statistical dimension to your insights, helps clarify the effectiveness of your positioning strategy.

9- Craft the final statement and ensure buy-in from all internal stakeholders. Once you've analyzed the results of your research, it's time to identify the winning position. During this stage, it's important to keep in mind the importance of simplicity. Within any organization, detail-oriented individuals will probably want to add more content to the positioning statement, such as additional clinical data and specific product-related benefits and advantages (many of which your competitors may already have used as part of their positioning).

10- Write the creative brief. Once you have a viable positioning statement, you should write the creative brief to provide direction to the creative team. From a management perspective, the creative brief functions as the transition from strategic formulation to tactical implementation.

5.4 CHECK YOUR PROGRESS- 1:

(1) Define Product positioning?

(2) Identify Whether True/False

- (a) Product positioning lies in the eyes of consumer.
- (b) Product positioning is an act of promoting superior aspects of the products in the mind of target market.
- (c) Entering the new market segment is a way of product positioning.
- (d) Consumer perception is not selective.

5.5 NEW PRODUCT DEVELOPMENT STRATEGIES:

5.5.1 Meaning of New Product Development:

A product that is offered first time to particular groups of buyers is a new product. The development of new product is very essential for a company for the survival in the market according to changing of the environment.

The dynamics of markets, technology, and competition have brought changes to virtually every market sector and have made new product development one of the most powerful business activities. The monumental changes that constantly impact commerce have forced companies to innovate with increasing speed, efficiency, and quality. In turn, this has made new product development one of the most complex and difficult business functions. However, firms must innovate in order to survive. The power of innovation is revealed in numerous studies, which show that companies leading their industries attribute about half of their revenues to products developed in the most recent five years.

By comparison, companies at the bottom of their industries achieve approximately one-tenth of their sales from new products.

A firm's new product development efforts are shaped by its size, as well as the nature of the industry in which it operates. New products may be defined as any product, service, or idea not currently made or marketed by a company, or which the consumer may perceive as new. Many types of new products exist, from never-seen-before products like Apple's personal communicator, to repositioned standards like Sears' shift to Sears Brand Central. Various studies suggest that between 50 and 80 percent of new products fail—the greater the rate of new product development, the higher the failure rate. *New Product News* predicts that more than 36,000 new products will be brought to market in 2005. Although there are numerous reasons why new products fail, faulty management and planning are at the core of most failures. Therefore, managing the new product development process is a key to a healthy organization.

5.5.2 History of New Product Development:

The history of product innovation can be divided into three stages, beginning with the product-oriented or technology-pushed stage. In the post-World War II era Americans were coming off wartime shortages and were in the mood to buy the many goods that manufacturers produced. Engineers, who were more product-oriented than consumer oriented, designed new products that might or might not find places in consumers' hearts and minds. This was a product-oriented process in which the market was considered the receptacle for products that emerged from the firm's research and development efforts.

However, competition escalated and consumers became more skeptical and selective about the types of products they purchased. Marketers found it increasingly difficult to rely on persuasive sales techniques to move products. Retailers grew restless when these products did not move off shelves as quickly as planned. Companies had to know more about their target markets. What were the wants and needs of the people who were buying their products? How could their firm satisfy these wants and needs?

The second stage was marked by the emergence of the market as the driver of innovation. Instead of being technology-driven, new product development evolved into a market-led process in which new products emerged from well-researched customer needs. The new product development process was placed in the hands of marketers who knew consumers' wants and needs. Customer demand "pulled" the product through the development process.

Modern new product development is a blending of these two orientations into a "dual-drive" approach to innovation. Companies recognize that innovation is a complex process that requires sound investment in research and development, as well as significant marketing expertise that focuses on satisfying consumers' wants and needs.

The rapid pace of change that engulfed businesses toward the end of the twentieth century put an even greater burden on companies to build adaptive capabilities into their organizations. Global competition means there are more competitors capable of world-class performance. This has made competition more intense, rigorous, and aggressive than ever before. Fragmenting and more sophisticated markets mean that consumers demand more from products in terms of quality, differentiation, and "meaningfulness."

New technologies have had two important outcomes in regards to innovation. First, new technologies are responsible for this new market sophistication in which consumers have more choices and are thus more demanding. Secondly, new technology has increased manufacturers' capabilities for rapid response to shifting market needs. Finally, product life cycles have become more compressed as the skills required for developing new products increase in complexity. For example, consider the development of a new type of computer software. The expertise needed to develop the software from conception to commercialization might take years. The product's life cycle in such a competitive and turbulent environment might last only a few months. Therefore, companies have embraced the view that new products are transient, whereas the skills and expertise needed to develop these products are a much more persistent requirement for success. Instead of the mono-approach, in which technology or markets drive innovation, new product development now requires a convergence of technology, marketing, product design, engineering, and manufacturing capabilities. Speed, efficiency, and quality in product develop.

5.5.3 Types and Sources of New Products:

There are five categories of new products. New-to-the-world products or services are new inventions like in-line skates and health maintenance organizations. New category entries, such as sport utility vehicles, are products or services that are new to a firm. Additions to product lines add products or services to a firm's current markets. For example, when a powder laundry detergent offers a liquid version it is considered a line extension. Product improvements are another type of new product and are common to every product category. Repositioning target products to new markets or for new uses.

Firms can obtain new products internally or externally. External sourcing means the company acquires the product or service, or obtains the rights to market the product or service, from another organization. Internal development means the firm develops the new product itself. This is riskier than external development because the company bears all of the costs associated with new product development and implementation. Collaborations, which include strategic partnerships, strategic alliances, joint ventures, and licensing agreements, occur when two or more firms work together on developing new products.

5.5.4 New Product Development Process:

Introducing new products on a consistent basis is important to the future success of many organizations, marketers in charge of product decisions often follow set procedures for bringing products to market. In the scientific area that may mean the establishment of ongoing laboratory research programs for discovering new products (e.g., medicines) while less scientific companies may pull together resources for product development on a less structured timetable.

In this section we present a 7-step process comprising the key elements of new product development. While some companies may not follow a deliberate step-by-step approach, the steps are useful in showing the information input and decision making that must be done in order to successfully develop new products. The process also shows the importance market research plays in developing products. We should note that while the 7-step process works for most industries, it is less effective in developing radically new products. The main reason lies in the inability of the target market to provide sufficient feedback on advanced product concepts since they often find it difficult to understand radically different ideas. So while many of these steps are used to research breakthrough ideas, the marketer should exercise caution when interpreting the results.

Step 1. Idea Generation:

The first step of new product development requires gathering ideas to be evaluated as potential product options. For many companies idea generation is an ongoing process with contributions from inside and outside the organization. Many market research techniques are used to encourage ideas including: running focus groups with consumers, channel members, and the company's sales force; encouraging customer comments and suggestions via toll-free telephone numbers and website forms; and gaining insight on competitive product developments through secondary data sources. One important research technique used to generate ideas is brainstorming where open-minded, creative thinkers from inside and outside the company gather and share ideas. The dynamic nature of group members floating ideas, where one idea often sparks another idea, can yield a wide range of possible products that can be further pursued.

Step 2. Screening:

In Step 2 the ideas generated in Step 1 are critically evaluated by company personnel to isolate the most attractive options. Depending on the number of ideas, screening may be done in rounds with the first round involving company executives judging the feasibility of ideas while successive rounds may utilize more advanced research techniques. As the ideas are whittled down to a few attractive options, rough estimates are made of an idea's potential in terms of sales, production costs, profit potential, and competitors' response if the product is introduced. Acceptable ideas move on to the next step.

Step 3. Concept Development and Testing:

With a few ideas in hand the marketer now attempts to obtain initial feedback from customers, distributors and its own employees. Generally, focus groups are convened where the ideas are presented to a group, often in the form of concept board presentations (i.e., storyboards) and not in actual working form. For instance, customers may be shown a concept board displaying drawings of a product idea or even an advertisement featuring the product. In some cases focus groups are exposed to a mock-up of the ideas, which is a physical but generally non-functional version of product idea. During focus groups with customers the marketer seeks information that may include: likes and dislike of the concept; level of interest in purchasing the product; frequency of purchase (used to help forecast demand); and price points to determine how much customers are willing to spend to acquire the product.

Step 4. Business Analysis:

At this point in the new product development process the marketer has reduced a potentially large number of ideas down to one or two options. Now in Step 4 the process becomes very dependent on market research as efforts are made to analyze the viability of the product ideas. (Note, in many cases the product has not been produced and still remains only an idea.) The key objective at this stage is to obtain useful forecasts of market size (e.g., overall demand), operational costs (e.g., production costs) and financial projections (e.g., sales and profits). Additionally, the organization must determine if the product will fit within the company's overall mission and strategy. Much effort is directed at both internal research, such as discussions with production and purchasing personnel, and external marketing research, such as customer and distributor surveys, secondary research, and competitor analysis.

Step 5. Product and Marketing Mix Development:

Ideas passing through business analysis are given serious consideration for development. Companies direct their research and development teams to construct an initial design or prototype of the idea. Marketers also begin to construct a marketing plan for the product. Once the prototype is ready the marketer seeks customer input. However, unlike the concept testing stage where customers were only exposed to the idea, in this step the customer gets to experience the real product as well as other aspects of the marketing mix, such as advertising, pricing, and distribution options (e.g., retail store, direct from company, etc.). Favorable customer reaction helps solidify the marketer's decision to introduce the product and also provides other valuable information such as estimated purchase rates and understanding how the product will be used by the customer. Reaction that is less favorable may suggest the need for adjustments to elements of the marketing mix. Once these are made the marketer may again have the customer test the product. In addition to gaining

customer feedback, this step is used to gauge the feasibility of large-scale, cost effective production for manufactured products.

Step 6. Market Testing:

Products surviving to Step 6 are ready to be tested as real products. In some cases the marketer accepts what was learned from concept testing and skips over market testing to launch the idea as a fully marketed product. But other companies may seek more input from a larger group before moving to commercialization. The most common type of market testing makes the product available to a selective small segment of the target market (e.g., one city), which is exposed to the full marketing effort as they would be to any product they could purchase. In some cases, especially with consumer products sold at retail stores, the marketer must work hard to get the product into the test market by convincing distributors to agree to purchase and place the product on their store shelves. In more controlled test markets distributors may be paid a fee if they agree to place the product on their shelves to allow for testing. Another form of market testing found with consumer products is even more controlled with customers recruited to a “laboratory” store where they are given shopping instructions. Product interest can then be measured based on customer’s shopping response. Finally, there are several high-tech approaches to market testing including virtual reality and computer simulations. With virtual reality testing customers are exposed to a computer-projected environment, such as a store, and are asked to locate and select products. With computer simulations customers may not be directly involved at all. Instead certain variables are entered into a sophisticated computer program and estimates of a target market’s response are calculated.

Step 7. Commercialization:

If market testing displays promising results the product is ready to be introduced to a wider market. Some firms introduce or roll-out the product in waves with parts of the market receiving the product on different schedules. This allows the company to ramp up production in a more controlled way and to fine tune the marketing mix as the product is distributed to new areas.

5.5.5 Causes of Failure of New Product:

New products often fail because of unanticipated market shifts that result in missed opportunities and misused channels of distribution. Failures also occur because companies miscalculate their own technological strengths or the product’s technological challenges. These potential problems often crop up in the latter stages and result in delays, redesigns, or poor quality products.

5.5.6 Strategies to Development New Product:

New product development is an important way for businesses to stay ahead of the competition and continue to appeal to the changing needs of existing customers. In addition, new product development can open up new

marketing channels and help to increase market share. There are a variety of strategies that can be used for effective product development.

1- Customer Needs:

A classic strategy for product development is simply focusing on customer needs. "Necessity is the mother of invention" they say, and this is certainly true when it comes to new product development strategy. Having a problem and coming up with a solution to solve that problem has generated a wide range of new product ideas from the wheel to the Twitter applications that pop up virtually every day. Spot a need and then take steps to fill it.

2- Brand Extension:

Brand extension is a common strategy for new product development. Brand extension simply involves using a commonly known brand name to introduce another similar, but different product. For instance, Arm & Hammer Baking Soda extended its brand to toothpaste. Sometimes extensions work well; other times the extensions are too different from the original brand to appeal to consumers. Dove soap, for instance, developed a shampoo that failed to resonate with consumers.

3- Technology:

Companies that can strategically identify opportunities to capitalize on technology to provide products and services more conveniently, less expensively and in new ways, can stay ahead of the curve and avoid the unfortunate situation of having their products and services become obsolete. A good example of this in recent years is the evolution of videotapes and then DVDs that could be rented at stores, to the mailing of DVDs to consumers in their homes and now to the move toward online rentals. While businesses can be negatively impacted by disruptive innovation if they fail to change with a changing environment, alert businesses can create strategic new product offerings to capitalize on technology.

5.6 CHECK YOUR PROGRESS- 2:

(1) Define the meaning of New Product?

(2) Discuss the causes of failure of a product?

5.7 SUMMARY:

In this unit you have learn about the meaning of new product, how a new product is introduced in the market. Development of new product is also been discuss in this unit. Product positioning is the process of differentiating company's total offering from competitors so as to make the consumers admire and favour those offers with reference to competitors.

Product positioning consists of describing the customers how the company differ from current and potential competitors. It is one of the vital ask of marketing manager in competitive market situation. A product that is offered first time to particular groups of buyers is a new product. The development of new product is very essential for a company for the survival in the market according to changing of the environment.

New products often fail because of unanticipated market shifts that result in missed opportunities and misused channels of distribution. Failures also occur because companies miscalculate their own technological strengths or the product's technological challenges. These potential problems often crop up in the latter stages and result in delays, redesigns, or poor quality products.

5.8 GLOSSARY:

- **Product** - It is anything that can be offered to satisfy a need.
- **Positioning** -To create an image of product in the mind of consumer.
- **Perception** - Feeling of individual about a product
- **Packaging** - Covering goods into a package.

5.9 Answer to Check Your Progress:

Check Your Progress - 1

(1) Product positioning is the act of designing the company' offering and image so that they occupy a meaningful and distinct competitive position in the target consumer mind.

(2) Identify Whether True/False

- (a) True
- (b) True
- (c) True
- (d) False

Check Your Progress - 2

(1) A product that is offered first time to particular groups of buyers is a new product. The development of new product is very essential for a company for the survival in the market according to changing of the environment.

(2) New products often fail because of unanticipated market shifts that result in missed opportunities and misused channels of distribution. Failures also occur

because companies miscalculate their own technological strengths or the product's technological challenges.

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5.11 SUGGESTED READINGS:

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- Basics of Marketing Management: Dr. R.B. Rudani
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- International Marketing: R. Srinivasan

5.12 TERMINAL QUESTIONS:

Q1. Define Product positioning? Discuss various steps of Product Positioning.

Q2. What do you mean by New Product Development? Explain the type and source of new product.

Q3. Discuss in detail the process of New Product Development?

Q4. Explain the various Strategies of New Product Development?

UNIT 6: DISTRIBUTION CHANNEL STRATEGIES, CHANNEL DESIGN DECISION AND CHANNEL MANAGEMENT DECISION

STRUCTURE

- 6.1 Introduction
- 6.2 Objectives
- 6.3 Meaning of Distribution Channel
- 6.4 Distribution Channel Strategies
- 6.5 Check Your Progress-1
- 6.6 Channel Design Decision
- 6.7 Channel Management Decision
- 6.8 Check Your Progress- 2
- 6.9 Summary
- 6.10 Glossary
- 6.11 Answer to Check Your Progress- 1and 2
- 6.12 References
- 6.13 Suggested Readings
- 6.14 Terminal Questions

6.1 INTRODUCTION:

In the previous unit you have learn about the meaning of product and how a product is introduced in the market. Product positioning is also been define in this unit. The process of new product development and various causes of failure of new product is also been discuss in this unit. But in this you will learn about the meaning of channel distribution, distribution channel strategy channel design decision and channel management decision.

Distribution Channel may be define as the route or pathway through which products flow from producers to customers. It may be said that the link, medium and bridge that joints two extremes primary producers and ultimate consumers.

The chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. A distribution channel can include wholesalers, retailers, distributors and even the internet. Channels are broken into direct and indirect forms, with a "direct" channel allowing the consumer to buy the good from the manufacturer and an "indirect" channel

allowing the consumer to buy the good from a wholesaler. Direct channels are considered "shorter" than "indirect" ones.

6.2 OBJECTIVES:

After studying this unit you will be able to learn

- Meaning and types of Distribution Channel
- Distribution Channel Strategies
- Benefits of Distribution Strategy
- Channel Design Decision
- Channel Management Decision

6.3 MEANING OF DISTRIBUTION CHANNEL:

We know that the main purpose of trade is to supply goods to the consumers living in far of places. As goods and services move from producer to consumer they may have to pass through various individuals. The route taken by goods as they move from producer to consumer is known as Channel of distribution. We can also define as the manner in which goods move from the manufacturer to the outlet where the consumer purchases them; in some marketplaces, it's a very complex channel, including distributors, wholesaler, jobbers and brokers.

Goods and services often pass to consumers through multiple channels. While increasing the number of ways in which a consumer can find a good has the potential to increase sales, it also creates a complex system that can make distribution management difficult. In addition, the longer the distribution channel the less profit a product manufacturer might get from the sale.

The prime of object of production is its consumption. The movement of product from producer to consumer is an important function of marketing. It is the obligation of the producer to make goods available at right place, at right time right price and in right quantity. The process of making goods available to the consumer needs effective channel of distribution. Therefore, the path taken by the goods in its movement is termed as channel of distribution.

6.3.1 Types of Distribution Channel:

The goods may be sent to the consumer directly or indirectly through middlemen. The channel of distribution may be classified into two groups

1-Selling Through Direct Channels: This is the oldest, shorter and the simple channel of distribution. The producer sells the product directly without involvement of any middle man. The sale can be made door to door through salesman, retail stores and direct mail. Certain industrial and consumer goods such as clothes, shoes, books, hosiery goods, cosmetics, household appliances, electronic goods etc., may be sold through direct contact. Perishable goods such as vegetable and fruits can also be sold directly.

(A) Advantage of Selling Through Direct Channels:

- It is simple and fast.
- It is economical.
- The producer has full control over distribution.
- Satisfies the desire to reduce dependence on middle men.
- Cash sales.

(B) Disadvantages of Selling Through Direct Channels:

- Non-availability of expert services of middle man.
- Large investment is required.
- Unsuitable for small producers.

(C) Methods of Selling Through Direct Channels:

- Selling goods through own retail outlets.
- Selling goods through postal services.
- Selling goods through courier services.
- Selling goods against orders received, by telephone, email and fax is known as telemarketing. This method is being used by Asian Sky Shop. The product is delivered to the customer through producer's own vehicles, V.P.P. or courier.

2- Selling Through Indirect Channel: According to this method of indirect selling, product is passed on to the customers through intermediaries, known as wholesalers, retailers and agents. These channels may be as under:

Producers -> Wholesalers -> Retailers -> Customer Two level Channel:

It is commonly used channel of distribution. It is also known as traditional or normal channel of distribution. This channel is useful for small producers for small means. The channel is used for consumer goods. The common practice is that the manufacturer sells goods in large quantity to wholesalers, who sell goods to retailers in small quantity. Finally goods are sold to customers in pieces.

Producer -> Agent -> Retailer -> Consumer or Two level Channel:

The common practice in this two level channel is that the goods are sold to the agent in bulk. The agent sells goods to retailer, who sells goods to customers in pieces. This channel is suitable where the retailers are few and geographically centered. This channel is commonly used in textile, machinery, equipment and agricultural products.

Producer -> Agent -> Wholesaler -> Retailer -> Customer or Three level Channel:

The common practice in this three level channel is that goods are sold by the producer to the agent, who sells it to the wholesaler, who sells to the retailers who finally sells goods to customers. This is the longest channel of distribution. This practice is useful, when the producer wants to be relieved of the problem of distribution. This channel is popularly used in textile.

Producer -> Retailer -> Customer or one level Channel:

Under this channel the producer sells goods to retailers, who sell the goods to customers. This channel is popular with the departmental stores, chain stores and supermarkets etc., because these are large scale retailers. Generally readymade garments, shoes home appliances and automobiles are sold through this channel.

6.4 DISTRIBUTION CHANNEL STRATEGIES:

Distribution Channel Strategy is about effectively aligning and efficiently planning all of the activities in your organization, from when the production lines starts rolling to when the final product is in the customer's hands.

Organizations today are facing many challenges relating to their distribution channels. Questions posed to managers entail - who are really trying to sell to and what is the purpose? How can we align our distribution channels to reach a niche market? Do our suppliers and sales representatives share a common goal and understanding about our customers? Are we selling our products the best way we can?

It is a conscious selection of Distribution Channels to move products from the manufacturer to end-user. The choice of distribution channel varies according to products. Industrial and engineered products require a much different channel than a standardized product. Direct, manufacturer representatives, and distributors sell through the various distribution channels.

As discussed in the basics of distribution channels, there are a number of different distribution channels available to move a product from production to the customer. We need to consider the following three things for your distribution strategy.

1. Channel Selection: Channel selection is all about four things; customer, producer, product and competition. First you need to meet the needs of your customer and match their buying behaviors e.g. if they want to buy and download the product online. Secondly you need to meet the producers needs; what sort of skills and resources do they have available? e.g. can they produce and sell direct? Thirdly you must consider the product constraints i.e. are they big, bulky, expensive or small FMCG's? And finally the competitive factors i.e. if your competitors' control parts of the channels you need to consider how you will overcome this. The end result will be a decision on a direct distribution channel i.e. manufacturer to consumer or a channel with one or more intermediaries e.g. manufacturer to retailer to consumer.

2. Distribution Intensity: Once you have your distribution channel structure, you need to decide on the intensity of your distribution. There are three main options; intensive i.e. you try to saturate the market with your product and place it as widely as possible; selective where you use a limited range of outlets, or exclusive where you only offer your product to one retail chain, for example.

Choosing the intensity will depend on your brand, product type and marketing mix. For example desirable, expensive products are usually distributed 'exclusively' and FMCG's for example, maybe 'intensively' distributed.

3. Channel Integration: Finally channel integration is about how much of the distribution channel you own. At one end of the spectrum you may own the whole thing e.g. H&M have a manufacturing plant and retail outlet. On the other side, each intermediary is independently owned e.g. your local corner shop. In the middle of these is the franchise e.g. McDonald's.

Clearly, financial resources is a big part of this and you may have little option but to have your product independently made, shipped over to a large retailer and sold on mass; but whatever your situation the above gives you a good starting point for your distribution Strategy.

6.4.1 Benefits of Distribution Strategy:

Benefits of Distribution Channels Strategy are as follows:

- Increases sales
- Improves sales coverage
- Reduces selling costs
- Directs marketing strategy
- Clarifies how channels operate

6.5 CHECK YOUR PROGRESS- 1:

(1) Define Distribution Channel?

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(2) Write down the types of Distribution Channel?

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(3) Define the Meaning of Distribution Channel Strategy?

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(4) Identify Whether True/False:

- (a)** Goods as they move from producer to consumer is called as Channel of distribution.
- (b)** Goods and services often pass to consumers through multiple channels.
- (c)** The producer sells the product directly without involvement of any middle man is called Indirect channel Distribution.

(d) Product is passed on to the customers through intermediaries is Direct Channel Distribution.

6.6 CHANNEL DESIGN DECISION:

The reappraisal of the channel structure begins with like this understanding, namely the channel bears a large number of important and necessary activities for the products and services to enter the market. These activities are an inalienable part in company's value chains.

Channel design is the result of decision to where to launch activity. These activities all have some common characteristics, namely need to consume the fund. It is essential must carry out well because it is a foundation of obtaining the competition advantage.

As to most companies, because the intermediary has a large connection with customers, specialization and having scale even more, it is better engaged in these activities through the intermediary.

Channel design decisions are the longest term of those in the marketing mix, therefore, continuity is crucial. Ensure that continuity by taking utmost care when choosing the type of channel. Consider the types of intermediaries available and review any environmental threats that might have an impact on the channel design. Occasionally unpredictable events cause problems, but knowing that helps a company react in a way that is more productive than destructive. For example, Cockspur, a rum distiller in Barbados, had high hopes for U.S. market penetration when it negotiated a distribution contract with a U.S. distributor. Yet immediately after signing, another company acquired the distributor and eliminated its beverage alcohol business, leaving Cockspur without a U.S. importer. Most Common channel design decisions are as follows

1. Determining the role of distribution in the company's overall goals and strategies.
2. Discerning the role of distribution in the marketing mix.
3. Knowing how marketing channels should be designed to effectively achieve distribution objectives.
4. Identifying the type of channel members to be selected to meet distribution objectives.
5. Most effectively and efficiently implementation of channel design
6. Finalizing how every partner's performance will be evaluated.

Making Channel Design Decisions is probably most comprehensive of the six fundamental strategies. This involves the development of new marketing channels where none had existed in the past. In addition to that, it also tackles the critical modification of existing channels.

The chosen design should contribute to the main quest of achieving differential advantage. The paradigm of making channel design decisions includes the following: recognizing the need for making the said decisions; setting and coordinating distribution objectives; specifying distribution tasks;

developing possible channel structure alternatives; evaluating variables that affect channel structure; choosing the best channel structure; and selecting channel members.

6.7 CHANNEL MANAGEMENT DECISION:

Every Company are presently using channel management solutions to manage their distribution networks. A channel distribution network is a set of interdependent intermediaries that are involved in making particular goods and services available for consumption. Intermediaries or partners are utilized because there is greater efficiency in making these products available to end consumers. In addition to that they provide a parent company with more than it can ever hope to achieve or accomplish on its own such as getting quality contacts, experience, specialization and scale of operation.

The use of channel management solutions and strategies is one of the biggest trends in business right now because of the various benefits they bring to companies or organizations. It is important to understand that such strategies are more complicated than they seem especially since they deal with a lot of essential processes that are vital to the success of a channel. They are dependent on channel decisions, which are among the most important decisions that managers have to make and deal with because they influence every other marketing decision in a channel.

Making channel decisions is the foundation of an effective channel management strategy. It encompasses the most important processes such as channel design, partner profile and recruitment, partner relationship management, methods of implementation and member performance evaluation. Of all the mentioned processes, partner relationship management carries a heavier burden because it involves the proper way of taking care of existing partners so that a committed and healthy partnership is maintained. It is a given fact that without intermediaries or partners, a channel is as good as dead.

Parent companies and managers are therefore given the responsibility of making sound decisions for the entire company and its network. It is critical that thorough assessment and analysis is always done, so that the resulting decisions would contribute to the improvement of the company which would lead to increased productivity and enhanced profitability.

6.8 CHECK YOUR PROGRESS- 2:

(1) Write a short notes on Channel Design Decision?

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(2) Write a short notes on Channel Management Decision?

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(3) Fill In the Blanks:

- (a) Route or path along which goods move from the producer to ultimate consumer is known as _____.
- (b) A retailer acts as a _____ between the wholesaler and the ultimate consumers.
- (c) Where goods are sold through middlemen, it is known as _____ channel of Distribution.
- (d) Where goods are sold directly to consumers without using services of middlemen, it is known as _____ channel.
- (e) In the direct channel, producers sell goods to customers through door-to-door salesmen and through their own _____.

6.9 SUMMARY:

In this unit we have discuss about the meaning of distribution channel, types of distribution channel and distribution channel strategies. We have also discussed the channel design decision and channel management decision. Distribution Channel may be defined as the route or pathway through which products flow from producers to customers. It may be said that the link, medium and bridge that joints two extremes primary producers and ultimate consumers. We know that the main purpose of trade is to supply goods to the consumers living in far off Places. As goods and services move from producer to consumer they may have to pass through various individuals. The route taken by goods as they move from producer to consumer is known as Channel of distribution.

We can also define as the manner in which goods move from the manufacturer to the outlet where the consumer purchases them; in some marketplaces, it's a very complex channel, including distributors, wholesaler, jobbers and brokers. Distribution Channel Strategy is about effectively aligning and efficiently planning all of the activities in your organization, from when the production lines starts rolling to when the final product is in the customer's hands.

6.10 GLOSSARY:

- **Channel-** Route or path through product flow from producer to consumer.
- **Consumer-** User of a particular goods or services.
- **Processing-** To enhance the utility of the product.
- **Wholesaler-** One who purchase the goods or services directly from producer.
- **Retailer-** One who purchase the goods or services from wholesaler.

6.11 ANSWER TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

(1) Distribution Channel may be define as the route or pathway through which products flow from producers to customers. It may be said that the link, medium and bridge that joints two extremes primary producers and ultimate consumers.

(2) **Direct channel-** The producer sells the product directly without involvement of any middle man.

Indirect channel- Product is passed on to the customers through intermediaries, known as wholesalers, retailers and agents.

(3) Distribution Channel Strategy is about effectively aligning and efficiently planning all of the activities in your organization, from when the production lines starts rolling to when the final product is in the customer's hands.

(4) **Identify Whether True/False:**

- (a) True
- (b) True
- (c) False
- (d) False

CHECK YOUR PROGRESS-2

(1) Channel design decisions are the longest term of those in the marketing mix, therefore, continuity is crucial. Ensure that continuity by taking utmost care when choosing the type of channel. Consider the types of intermediaries available and review any environmental threats that might have an impact on the channel design. Occasionally unpredictable events cause problems, but knowing that helps a company react in a way that is more productive than destructive.

(2) Every Company are presently using channel management solutions to manage their distribution networks. A channel distribution network is a set of interdependent intermediaries that are involved in making particular goods and services available for consumption. Intermediaries or partners are utilized because there is greater efficiency in making these products available to end consumers. The use of channel management solutions and strategies is one of the biggest trends in business right now because of the various benefits they bring to companies or organizations.

(3) **Fill In the Blanks:**

- (a) Channel of Distribution
- (b) Middleman
- (c) Indirect
- (d) Direct
- (e) Retail Stores

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6.13 SUGGESTED READINGS:

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- International Marketing: R. Srinivasan
- Marketing Management: Mukesh Dhunna
- Basics of Marketing Management: Dr. R.B. Rudani
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6.14 TERMINAL QUESTIONS:

Q1. Define Distribution Channel. Discuss the types of Distribution Channel?

Q2. Briefly explain the Distribution Channel Strategies?

Q3. Write a brief notes on Channel Design Decision?

UNIT 7: DESIGNING COMMUNICATION PROMOTION AND ADVERTISING STRATEGIES

STRUCTURE

- 7.1 Introduction
- 7.2 Objectives
- 7.3 Definition of Communication
- 7.4 Check Your Progress- 1
- 7.5 Promotion
- 7.6 Check Your Progress-2
- 7.7 Advertising Strategies
- 7.8 Check Your Progress-3
- 7.9 Summary
- 7.10 Glossary
- 7.11 Answer to Check Your Progress- 1, 2 And 3
- 7.12 References
- 7.13 Suggested Readings
- 7.14 Terminal Questions

7.1 INTRODUCTION:

In the previous chapter, you have learnt about distribution channel strategies - nature and importance of distribution systems; channel design decisions, channel management decisions. Every time distribution strategies are to be different in different circumstances to achieve the sales target formulated.

Communication is the process of informing and reminding the consumer about a product or service. Communication means sharing of meanings. It is derived from the Latin word “communis” which means common.

Promotion is the personal or interpersonal process of assisting a prospective customer to buy a product or service. Promotion mix refers to the activity relating to the promotion of product service or idea. It consist of all activity towards the motivating the customer to buy the product.

7.2 OBJECTIVES:

After studying this unit you will able to learn

- Meaning of Communication
- Purpose of Communication

- Nature of Communication
- Types of communication
- Elements of Communication process
- Barriers in effective Communication
- Steps in developing Effective Communication
- Promotion
- Elements of Promotion Mix
- Factors Affecting Promotion Mix
- Advertising Strategies

7.3 DEFINITIONS OF COMMUNICATION:

Communication is the process of transfer of information between two sources with information being understood by both.

According to Kelly, "Communication is a field of knowledge dealing with the systematic application of symbols to acquire common information regarding an objective or event."

According to Luther, "It is the transmission of commonly meaningful information. It is the process that involves the exchange of behaviour."

According to A. Kumar, "Communication is the process of making a message understood by the satisfying the need sets and ego set of a receiver."

In the view of Sanborn, "Communication is the process of sending and receiving messages."

According to Fortune, "Communication is the procedure whereby one mind affects another."

According to Newstrom and Davis, "Communication is the transfer of information from one person to another person. It is a way of reaching others by transmitting ideas, facts, thoughts, feelings, and values."

7.3.1 Purpose of Communication:

- To keep employees inform of company's progress,
- To provide employees with orders and instruction in connection with their duties,
- To solicit information from the employees which may aid management,
- To express management interest in its personnel,
- To reduce labour turn over,
- To instil each employee with personal pride in being a member of the company.

7.3.2 Nature of Communication:

- Communication is social interaction through messages.
- Its basic process is interpersonal, which is wholly individualistic.
- Communications are constructed for the people by the people. Communication is the language of life.

- It creates a common pool of ideas and strengthens the feeling of togetherness.

7.3.3 Functions of Communication:

- It provides knowledge
- It gives way to commercial purpose
- It enforces and adjusts behavioural patterns
- It helps in socialisation
- It perform incidental neutral functions
- It serves as an essential tool for direction it assists in decision making
- It coordinates employee action

7.3.4 Types of Communication:

People communicate with each other in a number of ways that depend upon the message and its context in which it is being sent. Choice of communication channel and your style of communicating also affect communication. So, there are varieties of types of communication.

7.3.4.1 Based On The Communication Channels Used:

1. Verbal Communication: Verbal communication refers to the form of communication in which message is transmitted verbally; communication is done by word of mouth and a piece of writing. Objective of every communication is to have people understand what we are trying to convey. In verbal communication remember the acronym KISS (keep it short and simple).

When we talk to others, we assume that others understand what we are saying because we know what we are saying. But this is not the case. Usually people bring their own attitude, perception, emotions and thoughts about the topic and hence creates barrier in delivering the right meaning.

So in order to deliver the right message, you must put yourself on the other side of the table and think from your receiver's point of view. Would he understand the message? How it would sound on the other side of the table?

Verbal Communication is further divided into:

- Oral Communication
- Written Communication
- **Oral Communication:** In oral communication, Spoken words are used. It includes face-to-face conversations, speech, telephonic conversation, video, radio, television, voice over internet. In oral communication, communication is influence by pitch, volume, speed and clarity of speaking.

Merits of Oral Communication: In a face-to-face conversation, by reading facial expression and body language one can guess whether he/she should trust what's being said or not. It is very effective. There is instant feedback for the message transmitted.

Demerits of Oral Communication: In face-to-face discussion, user is unable to deeply think about what he is delivering, there is no proof of what has been communicated. Lack of authenticity is another drawback of oral communication. It is also time consuming.

- **Written Communication:** In written communication, written signs or symbols are used to communicate. A written message may be printed or hand written. In written communication message can be transmitted via email, letter, report, memo etc. Message, in written communication, is influenced by the vocabulary & grammar used, writing style, precision and clarity of the language used.

Written Communication is most common form of communication being used in business. So, it is considered core among business skills.

Memos, reports, bulletins, job descriptions, employee manuals, and electronic mail are the types of written communication used for internal communication. For communicating with external environment in writing, electronic mail, Internet Web sites, letters, proposals, telegrams, faxes, postcards, contracts, advertisements, brochures, and news releases are used.

Merits of Written Communication: Written communication is authentic whether it is in the form of orders or organizational manuals. It also provides proof for future reference and this is the biggest merit of written communication.

Demerits of Written Communication: Written communication is costly as compared to oral communication. Unlike oral communication, written communication doesn't bring instant feedback. It takes more time in composing a written message as compared to word-of-mouth, and number of people struggles for writing ability.

2. Non-Verbal Communication: Non-Verbal communication is the sending or receiving of wordless messages. We can say that communication other than oral and written, such as gesture, body language, posture, tone of voice or facial expressions, is called Non-verbal communication. Non-verbal communication is all about the body language of speaker. Nonverbal communication helps receiver in interpreting the message received. Often, Non-verbal signals reflect the situation more accurately than verbal messages. Sometimes non-verbal response contradicts verbal communication and hence affects the effectiveness of message. Non-verbal communications have the following three elements:

Appearance: Speaker: clothing, hairstyle, neatness, use of cosmetics
Surrounding: room size, lighting, decorations, furnishings

Sounds: Voice Tone, Volume, Speech rate

Body Language: Facial expressions, gestures, postures

7.3.4.2 Based On The Purpose And Style:

Based on style and purpose, there are two main categories of communication and they both bears their own characteristics. Communication types based on style and purpose are:

1. Formal Communication

2. Informal Communication

1. Formal Communication: In formal communication, certain rules, conventions and principles are followed while communicating message. Formal communication occurs in formal and official style. Usually professional settings, corporate meetings, conferences undergoes in formal pattern. In formal communication, use of slang and foul language is avoided and correct pronunciation is required. Authority lines are needed to be followed in formal communication.

2. Informal Communication: Informal communication is done using channels that are in contrast with formal communication channels. It's just a casual talk. It is established for societal affiliations of members in an organization and face-to-face discussions. It happens among friends and family. In informal communication use of slang words, foul language is not restricted. Usually informal communication is done orally and using gestures.

Informal communication, unlike formal communication, doesn't follow authority lines. In an organization, it helps in finding out staff grievances as people express more when talking informally. Informal communication helps in building relationships.

7.3.5 ELEMENTS OF COMMUNICATION PROCESS:

Communication being a process must have some elements to complete the process. Various elements have been presented in different models of Communication, which have discuss below

- **Sender:** Sender of the message is the person who intends to make contact with the objective of passing the message to other persons.
- **Message:** This is the subject matter of the communication which is intended to pass to the receiver from sender.
- **Encoding:** The process of converting the message into communication symbols is known as encoding.
- **Channel:** Message encoded into symbols is transmitted by the sender through a channel like written form, personal contact etc.
- **Receiver:** Receiver is the person to whom the symbols are transmitted.
- **Decoding:** The receiver receives the subject matter of communication in the form of communication symbols in which the sender has encoded his message. The receiver decodes these symbols into message.
- **Feedback:** Feedback is necessary that the receiver has received the message and understood it in the same sense as the sender intended.

7.3.6 BARRIERS IN EFFECTIVE COMMUNICATION:

- **Lack of Common Experience:** Lack of common experience between instructor and student is probably the greatest single barrier to effective communication. Many people seem to believe that words transport meanings from speaker to listener in the same way that a truck carries bricks from one

location to another. Words, however, rarely carry precisely the same meaning from the mind of the instructor to the mind of the student. In fact, words, in themselves, do not transfer meanings at all. Whether spoken or written, they are merely stimuli used to arouse a response in the student. The student's past experience with the words and the things to which they refer determines how the student responds to what the instructor says. A communicator's words cannot communicate the desired meaning to another person unless the listener or reader has had some experience with the objects or concepts to which these words refer. Since it is the students' experience that forms vocabulary, it is also essential that instructors speak the same language as the students. If the instructor's terminology is necessary to convey the idea, some time needs to be spent making certain the students understand that terminology.

The English language abounds in words that mean different things to different people. To a farmer, the word tractor means the machine that pulls the implements to cultivate the soil; to a trucker, it is the vehicle used to pull a semitrailer; in aviation, a tractor propeller is the opposite of a pusher propeller. Each technical field has its own vocabulary. Technical words might mean something entirely different to a person outside that field, or perhaps, mean nothing at all. In order for communication to be effective, the students' understanding of the meaning of the words needs to be the same as the instructor's understanding.

- **Confusion between the Symbol and the Symbolized Object:** Languages abound with words that mean different things to different people. Confusion between the symbol and the symbolized object results when a word is confused with what it is meant to represent. Although it is obvious that words and the connotations they carry can be different, people sometimes fail to make the distinction. An aviation maintenance technician (AMT) might be introduced as a mechanic. To many people, the term mechanic conjures up images of a person labouring over an automobile. Being referred to as an aircraft mechanic might be an improvement in some people's minds, but neither really portrays the training and skill of the trained AMT. Words and symbols do not always represent the same thing to every person. To communicate effectively, speakers and writers should be aware of these differences. Words and symbols can then be carefully chosen to represent exactly what the speaker or writer intends.

- **Overuse of Abstractions:** Abstractions are words that are general rather than specific. Concrete words or terms refer to objects that people can relate directly to their experiences. They specify an idea that can be perceived or a thing that can be visualized. Abstract words, on the other hand, stand for ideas that cannot be directly experienced, things that do not call forth mental images in the minds of the students. The word aircraft is an abstract word. It does not call to mind a specific aircraft in the imaginations of various students. One student may visualize an airplane, another student might visualize a helicopter, and still another student might visualize an airship. Although the word airplane is more specific, various students might envision anything from a Boeing 777 to a Piper

Cub. Another example of abstractions would be if an instructor referred to aircraft engines. Some students might think of jet engines, while others would think of reciprocating engines. Even reciprocating engine is too abstract since it could be a radial engine, an inline engine, a V-type engine, or an opposed type engine.

Abstractions should be avoided in most cases, but there are times when abstractions are necessary and useful. Aerodynamics is applicable to all aircraft and is an example of an abstraction that can lead to understanding aircraft flight characteristics. The danger of abstractions is that they will not evoke the same specific items of experience in the minds of the students that the instructor intends. When such terms are used, they should be linked with specific experiences through examples and illustrations. For instance, when an approach to landing is going badly, telling a student to take appropriate measures might not result in the desired action. It would be better to tell the student to conduct a go-around since this is an action that has the same meaning to both student and instructor. When maintenance students are being taught to torque the bolts on an engine, it would be better to tell them to torque the bolts in accordance with the maintenance manual for that engine rather than simply to torque the bolts to the proper values. Whenever possible, the level of abstraction should be reduced by using concrete, specific terms. This better defines and gains control of images produced in the minds of the students.

- **Interference:** Barriers to effective communication are usually under the direct control of the instructor. However, interference is made up of factors that are outside the direct control of the instructor: physiological, environmental, and psychological interference. To communicate effectively, the instructor should consider the effects of these factors.

Psychological interference is any biological problem that may inhibit symbol reception, such as hearing loss, injury or physical illness. These, and other physiological factors, can inhibit communication because the student is not comfortable. The instructor must adapt the presentation to allow the student to feel better about the situation and be more receptive to new ideas. Adaptation could be as simple as putting off a lesson until the student is over an illness. Another accommodation could be the use of a seat cushion to allow a student to sit properly in the airplane.

7.3.7 STEPS IN DEVELOPING EFFECTIVE COMMUNICATION:

Communication is a deciding factor in any business or professional career. Unless you are able to get your message across to the others in a successful manner, you cannot get your work done or express your ideas or views properly.

The success of any organization or group depends on the communication effectiveness of the individuals involved in it. Various steps involved in developing effective Communication. Which are as follows,

Step 1 Listening:

Listening to your receiver will help understand and clarify their concerns better. The art of listening also shows the other person that you are genuinely interested in their talk. Such kind of two sided communication method helps in achieving more than the normal levels of success.

Listening to your client or employee and working on their concerns will not just earn you a simple method of problem resolution but also will ensure increased loyalty. Also look out for symptoms of inattentiveness in your audience. Many times you can modulate your speech if you figure out that your receiver is bored of your speech. Do not end up in a conversation that is one sided. Provide equal opportunity for your listener also to get involved in the conversation.

Step 2 Talk Brief:

Unless extremely needed, avoid involving in long and detailed lectures to convey your message to your audience. Many times it is necessary that you provide to-the-point answers to the questions rather than beating around the bush. Remember that time is valuable and take consideration for other's time especially. Try to be short and brief whenever possible. A short and informative talk is an important feature of an effective communication.

Step 3 Consider Using Names:

Usage of an individual's name to address them when you talk helps increase the effectiveness of your communication. Hence always ask for a person's name before you start to talk and make sure that you use their name with the right pronunciation when you talk to them. In case you do not get their name right the first time, do not hesitate to verify it again.

Step 4 Talks Confidently:

Make sure that you know what you are talking about. Prepare your points and express them confidently. Lack of confidence will spur restlessness in your listener and might even bore them. Do not pause or deviate from your points or try to explain or provide excuses for mistakes.

Step 5 Use Non-verbals Communication To Send Your Message Effectively:

An effective communication is a mix of verbal and non-verbal communication. Your body language and voice tone make up for more than half of what you are trying to convey. It is important that you try to establish eye contact when you talk to someone. A proper eye contact creates confidence in your listener. Eye movement, body posture and hand gestures all needs to be modulated and kept consistent with your message for an effective communication.

Step 6 Take Care of Your Language And Jargon:

When you convey your message or communicate, remember to use the right and crisp words. Lengthy words and repeated sentences might not create the required appeal with your audience. Do not use a lot of filler words in your sentence as they might tend to create loss of interest in your audience. Remember to make your message clear and simple and avoid using jargons and complicated sentences. Also make sure that you are confident and continuous in your conversation, long pauses or breaks might not keep your listener hooked to your conversation.

Step 7 Create A Level Of Comfort:

Before you start to talk to your audience, remember to establish an atmosphere of comfort. It is necessary that a comfort level is created so as to facilitate an easy communication process. Provide undivided attention to your listener so as to denote the importance of the communicated message.

The increased comfort level creates a good relationship and conveys the message effectively. Try your best to avoid physical barriers and interruptions when you talk to your listener. Do not involve into a conversation in a loud or busy area. Try to find a location where you can focus on the message at hand.

7.4 Check Your Progress-1:

(1) Define Communication?

(2) Explain verbal communication.

(3) **Fill In The Blanks:**

1. Communication is derived from word.....
2. Communication is the process of sending and receiving.....
3. Communication is done by word of mouth and a piece of writing is called.
.....
4. Sending or receiving of wordless messages is called.....

(4) **Identify Whether True/False:**

1. Communication is not a social interaction through messages.
2. Communication serves as an essential tool for direction it assists in decision making.
3. Communication provides knowledge
4. Written Communication is most commonly used in business.
5. In oral communication, Spoken words are used.
6. In formal communication, no rules, conventions and principles are followed while communicating message.

7.5 PROMOTION:

Promotion is an important part of marketing mix of a business enterprise. Once a product is developed, its price is determined the next problem comes to its sale i.e., creating demand for the product. It requires promotional activities. The activities are technique which brings the special characteristics of the product and of the producer to the knowledge of prospective customers. Promotion is a process of communication involving information, persuasion, and influence. The term 'selling' is often used synonymously with promotion. But promotion is wider than selling. Selling is concerned only with the transfer of title in goods to the purchaser, whereas promotion includes techniques stimulating demand. These techniques include advertising, salesmanship or personal selling and other methods of stimulation demand.

Advertising and sales promotion techniques are indirect and non-personal whereas personal selling or salesmanship is a direct and personal technique. All these techniques, however, should be integrated with the marketing objective of the enterprise. The salesmen can report about the different advertising and other promotional appeals as they are in close touch with the consumer public and market conditions. Promotion is essentially the sales efforts of a business enterprise and includes the function of informing, persuading and influencing the purchase decision of the existing the prospective consumers with the object of increasing sales volume and profits. Promotion is the efforts of the seller to sell the product effectively. Promotion is the communication with the customers to pursue them to buy the product. It is the duty of the marketing manager to choose the communication media and blend them into an effective promotion programme. These are more than one type of tools used to promote sales. The combination of these tools with a view to maintain and create sales is known as promotion mix. Promotion mix is the name given to the combination of methods used in communicating with customers.

7.5.1 Elements Of Promotion Mix:

There are seven elements of promotion mix:

Advertising: Advertising is a non-personal presentation of goods, services or idea. In advertising existing and prospective customers are communicated the message through impersonal media like radio, T.V., newspapers and magazine. It involves transmission of standard message simultaneously to a large number of people. The message transmitted is known as advertising.

Personal Selling: Personal selling is the process of assisting and persuading the existing and prospective buyer to buy the goods or services in person. It involves direct and personal contact of the seller or his representative with the buyer

Publicity: Publicity is a non-personal non-paid stimulation of demand of the product or services or business unit by planning commercially significant news about the services or business unit by planning commercially significant news

about in the print media or by obtaining a favourable presentation of it upon radio, television or stage.

Sales Promotion: Sales promotion consists of all activities other than advertising, personal selling and publicity, which help in promoting sales of the product. Such activities are non-repetitive and one time offers. According to American Marketing Association, sales promotion include, "those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine."

The main aim of sales promotion is to increase sales and profits of the firm but it is quite different from personal selling and advertising. In personal selling, customer is persuaded by a sales person face to face. Advertising is a non-personal mass communication media. Sales promotion, on the other hand, is a non-recurring and non-routine method. Its main aim is to supplement and coordinate the personal selling and advertising. It is a supporting and facilitating element of promotional strategy. Sales promotion bridges the gap of advertising and personal selling.

Corporate Image: It is important to create a good image in the sight of general public as the Image of an organization is a crucial point in marketing. If the reputation of a company is bad, consumers are less willing to buy a product from this company.

Exhibitions: Exhibitions provide a chance to try the product by the customers. It is an avenue for the producers to get an instant response from the potential consumers of the products.

Direct Marketing: Direct Marketing is reaching the customer without using the traditional channels of advertising such as radio, newspaper, television etc. These types of marketing reach the targeted consumers with techniques such as promotional letters, street advertising, catalogue distribution, fliers etc.

7.5.2 Factors Affecting Promotion Mix:

While determining the promotion mix of a business firm, the following factors should be considered:

- Nature Of product
- Nature of market
- Stage of products life
- Availability of funds
- Nature of technique
- Promotional strategies

7.6 CHECK YOUR PROGRESS-2:

(1) Define Promotion mix?

(2) What do you mean by Sales Promotion?

(3) Fill In The Blanks:

1. -----is an important part of marketing mix of a business enterprise.
2. The combination of various promotional tools used by a business firm is called-----
3. Sales promotion consists of all activities other than advertising, personal selling----- which help in promoting sales of the product.
4. Exhibitions provide a chance to try the product by the-----

7.6 ADVERTISING STRATEGIES:

Advertising is one of the most powerful elements in the promotion mix. Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services. It is also done to build a brand identity and communicate changes in old products or introduce new product/services to the customers. Advertising has become an essential element of the corporate world and hence companies allot a considerable amount of resources towards their advertising budget.

There are several considerations in an advertising strategy. Advertising messages aren't created on a whim or by a quick flash of inspiration. Advertising is a disciplined art and involves a lot of strategic thinking.

Advertisers create messages to accomplish specific objectives, a process called strategic planning. Advertisers determine what you want accomplished, decide on strategies to go about accomplishing, and implementing tactics which make the plan come to life. Advertising involves many different strategies.

- First there must be a strategic business plan that deals with the broadest decisions made by the organization.
- Next advertisers have marketing strategies that will identify key advantages for the product or firm in the marketplace.
- Lastly there are advertising strategy decisions that are made which are crucial to all advertising situations.
- Advertisers must set objectives and identify the target audience.
- The advertising product must be compared to competing products features.
- The product must be positioned so that it is welcomed in the marketplace by consumers.
- Finally the advertisers must create a brand image and personality for the product.

These are all key considerations for the advertising strategy. Targeting an audience for the product is the most important. These audiences are equivalent to a target market, but often include people other than prospects, such as those who influence the purchase. Once the target audience is defined this lets the advertising planner zero in on the most responsive audience.

7.8 CHECK YOUR PROGRESS-3:

(1) What is advertising?

(2) Fill In The Blanks:

1. Advertising is one of the most powerful elements of -----
2. -----is concerned with the promotion and development of product.
3. Advertising leads to introduction of a new-----
4. Advertisers create messages to accomplish specific objectives, a process called-----

(3) Identify Whether True /False:

1. Advertising Increases the sales of the product, service.
2. Advertising creates a brand identity or brand image.
3. Advertising is an essential element of the corporate world
4. Promotion mix is an element of marketing mix.

7.9 SUMMARY:

In this unit we have discuss the meaning of communication, how communication helps in the promotion and development of product. Other promotional activities like advertising is also been discuss in this unit. Communication is the process of transfer of information between two sources with information being understood by both. Communication is the process of informing and reminding the consumer about a product or service.

Promotion mix refers to the combination of various promotional tools used by a business firm to create, maintain and increase demand. It involves an appropriate integration of advertising, personal selling, sales promotion and publicity. Promotion mix is the combination, types and amount of different forms of promotion used by marketers. Advertising is a non-personal presentation of goods, services or idea. In advertising existing and prospective customers are communicated the message through impersonal media like radio, T.V., newspapers and magazine.

It involves transmission of standard message simultaneously to a large number of people. The message transmitted is known as advertising. Advertising is one of the most powerful elements in the promotion mix. Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services. It is also done to build a brand identity and communicate changes in old products or introduce new product/services to the customers. Advertising has become an essential element of the corporate world and hence companies allot a considerable amount of resources towards their advertising budget.

7.10 GLOSSARY:

- **Advertising-** It is a non-personal presentation of goods, services or idea.
- **Communication-** It is exchange of information between two sources.

- **Corporate Image**-It is the reputation of product of any company
- **Direct Marketing**- To reach the customer without using the traditional channels of advertising..
- **Promotion Mix** – It is the combination of all promotional activity used by marketers.
- **Sales Promotion**- It is consists of all activities which help in promotion of product.
- **Selling** –It is concerned with the transfer of goods to the purchaser in exchange of money.

7.11 ANSWER TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

(1)Communication is the process of transfer of information between two sources with information being understood by both.

(2)Verbal communication refers to the form of communication in which message is transmitted verbally; communication is done by word of mouth and a piece of writing.

(3) **Fill In the Blanks:**

- 1) Communis
- 2) Messages
- 3) Verbal Communication
- 4) Non Verbal Communication

(4) **Identify Whether True/False:**

- 1) False
- 2) True
- 3) True
- 4) True
- 5) True
- 6) False

CHECK YOUR PROGRESS-2

(1) Promotion mix refers to the combination of various promotional tools used by a business firm to create, maintain and increase demand. It involves an appropriate integration of advertising, personal selling, sales promotion and publicity.

(2) Sales promotion consists of all activities other than advertising, personal selling and publicity, which help in promoting sales of the product.

(3) **Fill In the Blanks:**

- 1) Promotion
- 2) Promotion mix
- 3) Publicity
- 4) Customers

CHECK YOUR PROGRESS-3

(1) Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services.

(2) **Fill in the Blanks:**

- 1) Promotion mix
- 2) Advertising
- 3) Product
- 4) Strategic planning

(3) **Identify Whether True/False:**

- 1) True
- 2) True
- 3) True
- 4) True

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7.14 TERMINAL QUESTIONS:

Q1- Define Communication. Discuss the types of Communication.

Q2- Discuss the elements of Communication process.

Q3-What are the barriers in effective Communication?

Q4- Discuss the various steps involved in developing Effective Communication.

Q5- Define Promotion. What are the factors affecting Promotion Mix?

Q6- Discuss the elements of Promotion mix.

Q7- What do you mean by Advertising? Discuss the Advertising strategies?

UNIT 8: SELECTION, DEVELOPMENT AND IMPLEMENTATION OF SALES PROMOTION STRATEGIES

STRUCTURE

- 8.1 Introduction
- 8.2 Objectives
- 8.3 Meaning, Definition, Purpose of Sales Promotion
- 8.4 Check Your Progress: 1
- 8.5 Objectives of Sales Promotion
- 8.6 Tools of Sales Promotion
- 8.7 Developing Sales Promotion Strategies
- 8.8 Check Your Progress: 2
- 8.9 Importance of Sales Promotion
- 8.10 Functions of Sales Promotion
- 8.11 Check Your Progress: 3
- 8.12 Reasons for Increasing Use of Sales Promotion
- 8.13 Limitation of Sales Promotion
- 8.14 Check Your Progress: 4
- 8.15 Summary
- 8.16 Glossary
- 8.17 Answers to Check Your Progress
- 8.18 References
- 8.19 Suggested Readings
- 8.20 Terminal Questions

8.1 INTRODUCTION:

In the previous chapter, you have learnt about the meaning of communication. Its nature and types of communication. Promotion and various mode of advertisement are also been describe in this unit. You have also learn how an effective communication play an important role in the promotion and development of a particular product.

In the present chapter we will be discussing about sales promotion, what are the strategies that are needed to promote sales, how we select, develop implement strategies to increase the sales. Sales promotion is totally different

from advertising and personal selling. Sales promotion technique is for short run. On the other hand, advertising is used by any company for long run, while in personal selling, there is personal contact being made by the company to sell the product.

8.2 OBJECTIVES:

After studying this unit, you will be able to:

- Explain the meaning of sales promotion
- Describe the objectives and importance of sales promotion in business
- Describe the strategies used in sales promotion
- Explain the importance & functions of sales promotion in business
- Explain the limitation of sales promotion

8.3 MEANING OF SALES PROMOTION:

In the current scenario, every businessman wants to increase the sale of goods that he is dealing in. He can use one of the several ways for that purpose. One might have heard about “win a tour to Europe/Australia etc”, “crorepati bano”, “50% extra on purchase of 2 kg products”, “scratch and win a prize” etc. You might also have seen getting surprise gifts like lunch box, pencil box, pen, shampoo pouch etc. offered free with products.

There are other offers, like in exchange of existing model of mobile/fridge/washing machine etc, you can get a new model at a reduced price. You may have also observed in your neighboring markets notices of “winter sale”, “summer sale”, “trade fairs” “Diwali offers” , “discount up to 70%” and many other schemes to attract customers to buy certain products. All these are incentives offered by manufacturers or dealers to increase the sale of their goods. These incentives may be in the form of free samples, gifts, discount coupons, demonstrations, shows, contests etc. All these measures normally motivate the customers to buy more and thus, it increases sales of the product. This approach of selling goods is known as “Sales Promotion”.

Sales promotion does not include advertising, personal selling and publicity that help to increase sales through non- repetitive and one time communication. In other words, it includes marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the regular routine. Sales promotion adopts short term, non-recurring techniques to increase the sales in different ways. These offers are not available to the customers throughout the year. During festivals, end of the seasons, year ending and some other occasion, these schemes are generally available in the market. Therefore, sales promotion consists of all activities other than advertising and personal selling that help to increase sales of a particular product or commodity.

Sales promotion, a key ingredient in many marketing campaigns, consists of a diverse collection of incentive tools, mostly short term, designed to stimulate trial or quicker or greater purchase of particular products or services by consumers or the trade. Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy.

Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays and demonstrations); trade promotion (prices off, advertising and display allowances and free goods) and business and sales force promotion (trade shows and conventions, contests for sales representatives and specialty advertising).

In years past, the advertising-to-sales-promotion ratio was about 60:40. Today, in many consumer-packaged-goods companies, sales promotion accounts for 65–75 percent of the overall promotional budget. Several factors have contributed to this trend; particularly in consumer markets. Internal factors include the following: Promotion is now more accepted by top management as an effective sales tool, more product managers are qualified to use sales-promotion tools and product managers are under greater pressure to increase current sales. External factors include: The number of brands has increased, competitors use promotions frequently, many brands are seen as being similar, consumers are more price-oriented, the trade demands more deals from manufacturers and advertising efficiency has declined because of rising costs, media clutter and legal restraints.

8.3.1. Definitions:

Sales promotion has been defined as under:

According to **Philip Kotler**, “those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, demonstrations, expositions and various other non-current selling efforts, not in ordinary routine.”

In the words of **Robert C. and Scott A.**, “Sales promotion consists of a diverse collection of incentive tools, mostly short- term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or trade.”

According to **Harold Whitehead**, “Sales promotion includes the dissemination of information to wholesalers, retailers, customers (actual and potential) and to the salesman”.

In the words of **Boone and Kurtz**, “Sales promotion can be defined as those forms of promotion other than advertising and personal selling that increase sales through non-recurrent selling efforts”.

In the words of **McCarthy**, “Sales promotion is any method of informing persuading or reminding consumers, wholesalers, retailers about the marketing

mix of product, place and price which has been assembled by the marketing manager”.

According to **American Marketing Association**, “Those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as displays, shows and exposition, demonstration and various non-recurrent selling, not in the ordinary routine.” In the words of **L.K. Johnson**, “Sales promotion consists of all those activities whose purpose is to supplement, to co-ordinate and to make more effective efforts of the sales force, of the advertising department and of the distributors; and to increase sales and otherwise stimulate consumers to take greater initiative in buying.”

After going through above definition, you can now summarize that sales promotion is a very important tool of marketing which includes samples, coupons, cash refund offers, prices off etc. So, sales promotion refers to irregular and personal sales (leaving advertising and publicity) and all the marketing activities which stimulate the consumers to purchase more and the traders to increase their sales like decoration, fairs, exhibitions, displays etc.

8.3.2 Purpose of Sales Promotion:

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial while a free management advisory service cements a long-term relationship with a retailer.

From the marketer’s perspective, sales promotion serves three essential roles it informs, persuades and reminds prospective and current customers and other selected audiences about a company and its products. The relative importance of those roles varies according to the circumstances faced by a firm.

The most useful product or brand will be a failure if no one knows it is available. Because distribution channels are often long, a product may pass through many lands between a producer and consumers. Therefore, a producer must inform middlemen as well as the ultimate consumers or business users about the product. Wholesalers, in turn must inform retailers and retailers must inform consumers. As the number of potential customers grows and the geographic dimensions of a market expand, the problems and costs of informing the market increase.

Another purpose of sales promotion is persuasion. The intense competition among different industries puts tremendous pressure on the promotional programmes of sellers. In India, even a product designed to satisfy a basic physiological need requires strong persuasive promotion because consumers have many alternatives to choose from. In the case of luxury product, for which sales depend on the ability to convince consumers that the products benefits exceed those of other luxuries, persuasion is even more important.

Consumers also must be reminded about a product’s availability and its potential to satisfy. Sellers bombard the market place units, hundreds of

messages every day in the hope of attracting new consumers and establishing markets for new products. Given the intense competition for consumers' attention even an established firm must constantly remind people about its brand to retain a place in their minds. Much of a firm's sales promotion may be intended simply to offset competitors marketing activity by keeping its brand in front of the market.

8.4 CHECK YOUR PROGRESS: 1

Answer the following in brief:

1) What do you mean by sales promotion?

.....

.....

.....

2) How can sales promotion be helped by advertising?

.....

.....

.....

8.5 OBJECTIVES OF SALES PROMOTION:

After having discussion on sales promotion, you must have learnt that the main objective of sales promotion is to increase sales. However, there are few other objectives of sales promotion. The objectives are:

8.5.1. Introduction of new products

8.5.2. Attract new customers and retaining existing ones

8.5.3. Maintaining sales of seasonal products

8.5.4. Meeting the challenge with competitors

8.5.5 To increase sales in off season

8.5.6 To increase the inventories of business buyers

Let us have a brief discussion about these objectives.

8.5.1 Introduction of new products:

Have you ever heard about distribution of free samples? Perhaps you know that many companies distribute free samples while introducing new products. The consumers after using these free samples may develop a taste for it and buy the products later for consumption.

8.5.2 Attracting New Customers and Retaining Existing Ones:

Sales promotion measures help to attract or create new customers for the product. While moving in the market, customers are generally attracted towards the product that offers discount, gift, prize, etc. These are some of the tools used to encourage the customers to buy the goods. Thus, it helps to retain the existing customers and at the same time it also attracts some new customers to buy the product.

8.5.3 Maintaining Sales of Seasonal Products:

There are some products like air conditioner, fan, refrigerator, cooler, winter clothes, room heater, sunscreen lotion, glycerin soap etc. which are used only in a particular season. To maintain the sales of these types of products, normally the manufacturers and dealers give off-season discount. For example, you can buy air conditioner in winter at a reduced price. Similarly you may get discount on winter clothes during summer.

8.5.4 Meeting the challenge with competitors:

Today's business faces competition all the time. New products frequently come to the market and at the same time improvement also takes place. So, sales promotion measures have become essential to retain the market share of the seller or producer in the product market.

8.5.5 To increase sales in off season:

Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.

8.5.6 To increase the inventories of business buyers:

Retailers may be induced to keep in stock more units of a product so that more sales can be affected.

8.6 TOOLS OF SALES PROMOTION:

To increase the sale of any product, manufactures or producers adopt various techniques like sample, gift, bonus and many more. These are known as tools or techniques or methods of sales promotion. Let us know more about some of the commonly used tools of sales promotion.

8.6.1 Free samples

You might have received free samples of shampoo, washing powder, coffee powder, etc. while purchasing various items from the market. Sometimes these free samples are also distributed by the shopkeeper even without purchasing any item from his shop. These are distributed to attract consumers to try out a new product and thereby create new customers. Some businessmen distribute samples among selected persons in order to popularize the product. For example, in the case of medicine free samples are distributed among physicians, in the case of textbooks, specimen copies are distributed among teachers.

8.6.2 Premium or Bonus offer

A milk shaker along with Nescafe, mug with Bournvita, toothbrush with 500 grams of toothpaste, 30% extra in a pack of one kilogram are the examples of premium or bonus given free with the purchase of a product. They are

effective in inducing consumers to buy a particular product. This is also useful for encouraging and rewarding existing customers.

8.6.3 Exchange schemes:

It refers to offering exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. 'Bring your old mixer-cum-juicer and exchange it for a new one just by paying Rs.500' or 'exchange your black and white television with a color television' are various popular examples of exchange scheme.

8.6.4 Price-off offer:

Under this offer, products are sold at a price lower than the original price. 'Rs. 2 off on purchase of Dove soap, Rs. 16 off on a pack of 250 grams of Taj Mahal tea, Rs. 1000 off on Cellphone' etc. are some of the common schemes. This type of scheme is designed to boost up sales in off-season and sometimes while introducing a new product in the market.

8.6.5 Coupons:

Sometimes, coupons are issued by manufacturers either in the packet of a product or through an advertisement printed in the newspaper or magazine or through mail. These coupons can be presented to the retailer while buying the product. The holder of the coupon gets the product at a discount. For example, you might have come across coupons like, 'show this and get Rs. 16 off on purchase of 5 kg. of Annapurna Atta'. The reduced price under this scheme attracts the attention of the prospective customers towards new or improved products.

8.6.6 Fairs and Exhibitions:

Fairs and exhibitions may be organized at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. Goods are displayed and demonstrated and their sale is also conducted at a reasonable discount. 'International Trade Fair' at Pragati Maidan which is held from 14th to 27th November every year is a well known example of Fairs and Exhibitions as a tool of sales promotion.

8.6.7 Trading stamps:

In case of some specific products, trading stamps are distributed among the customers according to the value of their purchase. The customers are required to collect these stamps of sufficient value within a particular period in order to avail of some benefits. This tool induces customers to buy that product more frequently to collect the stamps of required value.

8.6.8 Scratch and win offer:

To induce the customer to buy a particular product, 'scratch and win' scheme is also offered. Under this scheme, a customer scratches a specific marked area on the package of the product and gets the benefit according to the message written there. In this way, customers may get some item free as mentioned on the marked area or may avail of price-off or sometimes visit different places on special tour arranged by the manufacturers.

8.6.9 Money Back offer:

Under this scheme, customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product. This technique is particularly useful while introducing new products in the market.

8.7. DEVELOPING SALES PROMOTION STRATEGIES:

A sales promotion is frequently used by a business to increase sales of a specific product or service. Successful sales promotions draw new customers as well as keeping current customers. There are three sales promotion strategies: A "push strategy" pushes products through the distribution chain with the in-store consumer as the final link. Discounts and free trials are two examples of "push strategy" sales promotion tools.

In contrast to the "push strategy," the "pull strategy" focuses on stimulating the consumer to purchase the product directly from the manufacturer. Cash refunds and loyalty programs are two examples of "pull strategies." The third strategy is a combination of the first two and may offer a consumer incentive in addition to a dealer discount.

8.7.1. Instructions Developing Sales Promotion Strategies:

a. List Your Product's Attributes: Focus on the features that make your product different from similar products. Here are some examples: Your product possesses a specific benefit that competing products lack; your product comes in a popular larger size or your product has just been praised by a major celebrity. All of these positive qualities can be used to promote and increase sales of your product.

b. Examine Your Target Market: Identify those consumer groups likely to use your product. Depending on the product, you may have one target market (example: ladies' handbags); or you could have several markets (example: hiking boots with built-in antimicrobial insoles). List non-traditional markets that can also benefit from your product.

c. Analyze Your Competitors' Tactics: Before you can "pull away from the pack," you need to see where the pack is running. Look at local advertisements, point of purchase offers and other promotional tactics, your competition is using

to sell similar products. If possible, make a few anonymous visits to gauge the product's sales for yourself.

d. Develop a "Win-Win" Sales Promotion: Using the information, you have gathered about your product, market and competitors; develop a sales promotion that benefits both the retailer and the customer. Here are two examples: Develop a customer loyalty card program with a truly exceptional reward for completing the loyalty card (e.g., a certificate for a free massage from a health product manufacturer). Another "win-win" sales promotion may offer a complete bicyclist clothing package with the purchase of a higher end bicycle.

e. Inform and Enthuse Your Employees: A key element of a successful sales promotion is the contagious attitude of employees towards the product. If they use and love the product, they will be happy to communicate that value to the customers.

f. Conduct an Interactive Training Session about the Product: Provide a sample for all employees; if that's not feasible, ensure that everyone has time to try or study the product. Talk about the product's benefits for consumers and highlight the product's outstanding value when compared with similar products. Make the session fun and conclude it with a great prize for the winner of a product trivia contest.

g. Develop Criteria for The Promotion's Success: Before you implement the sales promotion, identify a quantitative measure of its success. This achievement might come in the form of higher sales dollars, new customers signed up for a long-term service plan or other objective criteria.

h. Implement the Promotion: First, ensure that you have plenty of the targeted products on hand. Next, highlight the product (and the promotional enticement) with store graphics and promotional supplies provided by the manufacturer. Make sure the product's benefits are communicated by the displays and by your employees. One unconventional tactic is to hire an outgoing costumed version of the product, station her in the parking lot and task her with waving customers into the store.

To reach your target markets, put your advertising message into the media utilized by these markets. Here are two examples: For a golf product, advertise on golf websites, in regional golf publications and at local country clubs. For organic makeup products and cosmetics, advertise in organic and health magazines and at health and fitness centers

8.8 CHECK YOUR PROGRESS: 2

(1) Fill In The Blanks:

- (a) Sales promotion includes all promotional activities other than advertising, personal selling and
- (b) The basic object of sales promotion is to increase the buying response of ultimate.....

- (c) The object of sales promotion is to improve..... share.
- (d) Sales promotion objective is to supplement and co-ordinate the efforts of advertising andselling.
- (e) Informing buyers about new brand and new package is theof sales promotion.

(2) State Whether True or False?

- a. Discount on price is allowed only for those products of which sales tend to decline.
- b. Sales promotion schemes are announced only when new products frequently come in the market.
- c. Free samples are distributed to induce customers to try new products.
- d. Customers want to buy air-conditioners in summer to get the benefit of off-season discount.
- e. Sales promotion helps to retain existing customers as well as create new ones.

8.9 IMPORTANCE OF SALES PROMOTION:

The importance of sales promotion in modern marketing has increased mainly on account of its ability in promoting sales and preparing the ground for future expansion. The main objective of sales promotion is to attract the prospective buyer towards the product and induce him to buy the product at the point of purchase.

At the salesman's level, its objective is to achieve more sales. At the retailer's level, the purpose is to sell a particular product of a manufacturer. At the consumer's level, the main idea is to enable the consumer to buy more of a product more frequently and also to introduce new uses for the product. Thus, it is a "catch-all" method and is used as an effective tool of marketing.

8.9.1. From the Point of View of Manufacturers:

Sales promotion is important for manufacturers because:

- i. It helps to increase sales in a competitive market and thus increases profits
- ii. It helps to introduce new products in the market by drawing the attention of potential customers
- iii. When a new product is introduced or there is a change of fashion or taste of consumers, existing stocks can be quickly disposed of.
- iv. It stabilizes sales volume by keeping its customers with them. In the age of competition, it is quite much possible that a customer may change his/her mind and try other brands. Various incentives under sales promotion schemes help to retain the customers.

8.9.2. From the Point of View of Consumers:

Sales promotion is important for consumers because

- i. The consumer gets the product at a cheaper rate

- ii. It gives financial benefit to the customers by way of providing prizes and sending them to visit different places
- iii. The consumer gets all information about the quality, features and uses of different products
- iv. Certain schemes like money back offer creates confidence in the mind of customers about the quality of goods; and
- v. It helps to raise the standard of living of people. By exchanging their old items, they can use latest items available in the market. Use of such goods improves their image in society.

8.10 FUNCTIONS OF SALES PROMOTION:

Various functions of sales promotions are explained briefly:

8.10.1 Low cost: Sales Promotion is always the outcome of large-scale production. Large-scale production itself is meant for low cost. But this could be achieved only with appropriate methods of large-scale selling. Ultimately, therefore, sales promotion assures of a low cost.

8.10.2 Effective sales support: Basically, sales promotion policies, supplement the efforts of personal and impersonal salesmanship (Advertising). It is found that good sales promotion materials make the salesman's effort more productive. The activities reduce his time spent in prospecting and reduce the turndowns.

8.10.3 Increased speed of product acceptance: Most of the sales promotion devices (contests, coupons, etc) can be used faster than the other promotion methods such as advertisement.

8.10.4 Better control: The management has effective control over the various methods used and in its effectiveness. The financial aspects also could be sales promotion and could be compared with the profit per unit of the product sold.

8.11 CHECK YOUR PROGRESS: 3

(1) Fill in the blanks:

- (a) Free samples are given to customers to introduce a new.....
- (b) Coupon is a certificate that reduces theof the product.
- (c) Price-off gives a temporaryto the consumers.
- (d) Producers of garments often organizeshows to promote their products.
- (e) Retail demonstrations are supplied by manufactures for preparing and distributing the products as retail.....

8.12 REASONS FOR INCREASING USE OF SALES PROMOTION:

Sales promotion activities have become increasingly popular among business firms due to the following factors:

8.12.1 Brand proliferation: As companies are increasingly using branding to identify a product from competing products the number of brands has increased

tremendously. Brands become less distinctive and product features cannot be advertised very effectively. Companies adopt sales promotion to ensure their share of the limited space with the retailers.

8.12.2 Trade pressure: There is now greater pressure on manufacturers to provide support and allowances due to the growth of super market, chain assist retailers and thereby secure their cooperation.

8.12.3 Growth competition: When one manufacturer adopts aggressive promotional strategy to create a brand image, the sales of other manufacturers are affected. In order to maintain their sales, other manufacturers also start sales promotion activities leading to virtually a promotion war.

8.12.4 Recession: During a recession, consumers can be persuaded to wait as during recession, business comes to zero. Therefore, manufacturers make use of these activities to reduce inventory and to improve cash position.

8.12.5 Quick returns: Sales promotion activities are launched quickly and yield faster. These activities also motivate the over burdened and lethargic sales force. Therefore, there is wide spread use of sales promotion schemes.

8.12.6 Competent staff: Due to specialisation, new staff positions have created in several companies. Executives with specialised qualifications have greater faith in modern techniques of sales promotion.

8.12.7 Change in attitudes: Earlier, senior managements were of the view that sales promotion spoiled the image of their brand. But the success of competitors in sales promotion has made sales promotion more acceptable to such managements.

8.13 LIMITATION OF SALES PROMOTION:

To improve the public image of the firm sales promotion, however, suffers from the following limitations:

1. There is a feeling that such seasonal sales promotional activities are mainly intended to sell an inadequate product.
2. The second criticism is that such discounts are not real, since the prices of the products are already inflated.
3. These activities are short lived, so the results realized are also short-lived. As soon as these concessions are withdrawn, the demand also falls.
4. It is a short-run tool used to stimulate immediate increase in demand.
5. The producer provides the information regarding quality, uses, different uses of products and its price etc, to the consumers while introducing their products.
6. Sales promotion is also helpful in increasing the number of new customers. The producers give the customers different concessions such as: purchase two and get one as "free".
7. For sales promotion, advertisements are given to the leading magazines which ultimately result in more goodwill of the company.

8. The main purpose of sales promotion is to increase the sales of the product of the company. Promotional activities like free gifts induce the customers to purchase. Thus, sales increase.
9. One of the objectives of the sales promotion is to keep the memory of the product alive in the minds of the present customers.
10. The intensive competition has necessitated the sales promotional activities to educate their customers.
11. Most of the sales promotion devices (such as contents, premium coupons etc) can be used faster than the other methods such as advertisements.

8.14. CHECK YOUR PROGRESS: 4

(1) Given below are some statements which are wrong. Correct them in the space provided below each.

- a. "Money back offer" helps customers to improve their status in the society and so it is important to them.

.....

- b. Existing stock can be quickly disposed off by sales promotion when dealers want to compete in the market and that is why it is important to them.

.....

- c. The importance of sales promotion is appreciated by consumers because they cannot changeover to new brand of goods.

.....

- d. Dealers consider sales promotion to be important because it involves cheaper rates being offered to customers.

.....

- e. For consumers, sales promotion has no importance even if it provides information about improvement in quality of goods because that does not bring monetary benefit.

.....

8.15 SUMMARY:

In this chapter, we have discussed the meaning of Sales promotion, its objectives and how to select, develop and implement sales promotion strategies. More than any other element of the promotional mix, sales promotion is about "action". Sales promotion is the final marketing mix element. It is about stimulating customers to buy a product. It is not designed to be informative; a role which advertising is much better suited to. Sales promotion consists of short-term incentives to encourage purchase or sales of a product or service whereas advertising and personal selling offer reasons to buy a product or service, sales promotion offers reasons to buy now. Promotional strategy is the function of

informing, persuading and influencing a consumer decision. It is as important to non-profit organizations as it is to a profit-oriented company like Colgate-Palmolive. Some promotional strategies are aimed at developing primary demand, the desire for a general product category.

Sales promotion activities may be used singly or in combination, both offensively and defensively, to achieve one goal or a set of goals. Sales-promotion tools vary in their specific objectives. A free sample stimulates consumer trial whereas a free management-advisory service aims at cementing a long-term relationship.

Today; many marketing managers first estimate what they need to spend in trade promotion, then what they need to spend in consumer promotion. Whatever is left they will budget for advertising. There is a danger, however, in letting advertising take a back seat, because advertising typically acts to build brand loyalty. The question of whether or not sales promotion weakens brand loyalty is subject to different interpretations. Sales promotion with its incessant price off, coupons, deals and premiums may devalue the product offering in buyers' mind. Buyers learn that the list price is largely a fiction. However, before jumping to any conclusion, we need to distinguish between price promotions and added-value promotions.

8.16 GLOSSARY:

- **Sales promotion:** It consists of short-term incentives to encourage the purchase or sale of a product or service.
- **Samples:** Special offer of a trial amount of a product.
- **Coupons:** Certificates that offer buyers savings when they purchase specified products.
- **Seasonal products:** Those products whose demand varies in a regular pattern, season to season.
- **Market share:** Ratio or area of a market controlled by a particular company or product.
- **Dealer outlets:** A place where business for retailing goods is done.

8.17 ANSWERS TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS- 2

(1) Fill in the blanks:

- (a) Publicity
- (b) Consumers
- (c) Market
- (d) Personal
- (e) Objective

(2) State Whether True or False?

- (a) False
- (b) False

- (c) True
- (d) False
- (e) True

CHECK YOUR PROGRESS-3**(1) FILL IN THE BLANKS:**

- (a) Product
- (b) Price
- (c) Discount
- (d) Fashion
- (e) Sample

8.18 REFERENCES:

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8.19 SUGGESTED READINGS:

- Principles of Marketing: C.N. Sontakki
- International Marketing: R. Srinivasan
- Marketing Management: Mukesh Dhunna
- Basics of Marketing Management: Dr. R.B. Rudani
- Marketing Management: C.N. Sontakki

8.20 TERMINAL QUESTIONS:

1. Explain the meaning of 'Sales Promotion'. Why is Sales Promotion necessary?
Describe the purpose served by sales promotion?
2. Explain briefly the objectives of sales promotion. What are the criteria for setting the objectives of sales promotion? Explain the factors to be considered in developing these criteria.
3. Explain the importance, functions and limitations of sales promotion.
4. What are sales promotion strategies? How are sales promotion strategies developed?

UNIT9: PUBLIC RELATION PROCESS AND PUBLIC RELATIONS OPPORTUNITIES IN TRAVEL AND TOURISM SECTOR

STRUCTURE

- 9.1 Introduction
- 9.2 Objectives
- 9.3 Meaning and Definitions of Public Relations
- 9.4 Check Your Progress-1
- 9.5 Objectives of Public Relations
- 9.6 Functions of Public Relations
- 9.7 Elements of Public Relations
- 9.8 Check Your Progress-2
- 9.9 The Public Relations Process
- 9.10 Check Your Progress-3
- 9.11 Major Tools in Marketing Public Relations
- 9.12 Check Your Progress-4
- 9.13 Public Relations Opportunities in Travel and Tourism Sector
- 9.14 Summary
- 9.15 Glossary
- 9.16 Answers to Check Your Progress- 1, 2, 3 and 4.
- 9.17 References
- 9.18 Suggested Readings
- 9.19 Terminal Question

9.1 INTRODUCTION:

In the previous lesson, you have learnt about sales promotion, which consists of all promotional activities other than advertising, personal selling and publicity that help to increase sales through non repetitive and one time communication. In other words, it includes marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine. Sales promotion adopts short- term, non-recurring methods to boost up sales in different ways. These offers are not available to the customers throughout the year. During festivals, end of the seasons, year ending and some

other occasions these schemes are generally found in the market. Each marketer has to devise their own promotional-mix to help them achieve their specific marketing objectives. In the present unit we shall discuss public relations, its process and technique. Public relations, perhaps the most misunderstood part of marketing communications, can be the most effective tool.

Public Relations is a planned and sustained activity to help an institution create a social climate favourable for its growth. It is based on the fundamental belief that the survival of any enterprise, public or private depends today on the sensitive response to changes in public opinion.

9.2 OBJECTIVES:

After reading this chapter, you should be able to:

1. Understand the meaning and definitions of public relations.
2. Understand the public relations objectives: Building Product Awareness, Creating Interest, Providing Information, Stimulating Demand, Reinforcing the Brand
3. Understand the different functions and elements of public relations.
4. Understand the public relations process: research, establishing marketing objectives, defining the target audience, choosing the PR message and vehicles, and evaluating PR results.
5. Know how the different PR tools are used: Media Relations, Media Tours, Newsletters, Special Events, Speaking Engagements, Sponsorships, Employee Relations, Community Relations and Philanthropy.
6. Discuss the public relations opportunities for hospitality business.

9.3 MEANING OF PUBLIC RELATIONS:

Public relations (PR) is an important marketing tool that until recently was treated as a marketing stepchild. PR is moving into an explosive growth stage. Companies are realizing that mass marketing is no longer the answer to some of their communication needs. Advertising costs continue to rise, while audience reach continues to decline. Dull advertising reduces the impact of each ad. Sales promotion costs have also increased as channel intermediaries demand lower prices and better commissions and deals. Personal selling can cost over Rs.500 a call. In this environment, public relations, holds the promise of a cost-effective promotional tool. The creative use of news events, publications, social events, community relations and other PR techniques offers companies a way to distinguish themselves and their products from their competitors.

The public relations department of cruise lines, restaurant chains, airlines and hotels is typically located at corporate headquarters. Often, its staff is so busy dealing with various publics—stockholders, employees, legislators and community leaders that PR support for product marketing objectives tends to be neglected. Many four and five-star hotel chains have corrected this deficiency by hiring local public relations managers.

In the past, it was common for marketing function and PR function to be handled by two different departments within the firm. Today these two functions are increasingly integrated. There are several reasons for this integration. First, companies are calling for more market-oriented PR. They want their PR departments to manage PR activities that contribute toward marketing the company and improving the bottom line. Second, companies are establishing marketing PR groups to support corporate/product promotion and image making directly. Thus marketing PR, like financial PR and community PR, serves a special constituency, the marketing department.

9.3.1 Definitions of Public Relations:

The term Public Relations has been defined as under:

“Public Relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics.”
- **Institute of Public Relations, USA**

“Public relations is the attempt by information persuasion and adjustment to engineer public support for an activity, cause, movement or institution.”

- **Edward L. Bernays**

“Public Relations is a combination of philosophy, sociology, economics, language, psychology, journalism, communication and other knowledge into a system of human understanding.”

- **Herbert M. Baus**

“Merely human decency which flows from a good heart.”

- **Charles Plackard**

“Good performance, publicity appreciated because adequately communicated.”

- **Fortune (Magazine)**

“Public Relations is (Dale Carnegie) - winning friends and influencing people – writ large.”

- **Robert Heibroner**

“Everything involved in achieving a favourable opinion.”

- **George F. Meredith**

“The Management function which gives the same organized and careful attention to the asset of goodwill as is given to any other major asset of business.”

- **John W. Hill**

“Public Relations is distinctive management function which helps establish and maintain mutual lines of communication, understanding, acceptance and cooperation between an organization and its publics; involves the management of problems or issues; helps management to keep informed on and responsive to public opinion; defines and emphasizes the responsibility of management to serve the public interest; helps management keep abreast of and effectively utilize change, serving as an early warning system to help anticipate trends; uses research and sound, ethical communication as its principal tools.”

- **Rex F. Harlow**

So we can summarize that Public relations (PR) is the practice of managing the flow of information between an organization and its publics. Public

relations provide exposure to an organization or individual to their audiences using topics of public interest and news items that do not require direct payment. Their aim is often to persuade the public, investors, partners, employees and other stakeholders to maintain a certain point of view about the company, its leadership and products or of political decisions. Common activities include speaking at conferences, winning industry awards, working with the press and employee communication.

9.4 CHECK YOUR PROGRESS-1:

1) What do you mean by public relations?

.....

.....

.....

.....

9.5 OBJECTIVES OF PUBLIC RELATIONS:

Like other aspects of marketing promotion, public relations is used to address several broad objectives including:

9.5.1 Building Product Awareness: When introducing a new product or re-launching an existing product, marketers can use a PR element that generates consumer attention and awareness through media placements and special events.

9.5.2 Creating Interest: Whether a PR placement is a short product article or is included with other products in “round up” article, stories in the media can help entice a targeted audience to try the product. For example, around the holiday season, a special holiday food may be promoted with PR through promotional releases sent to the food media or through special events that sample the product.

9.5.3 Providing Information: PR can be used to provide customers with more in depth information about products and services. Through articles, collateral materials, newsletters and websites, PR delivers information to customers that can help them gain understanding of the product.

9.5.4 Stimulating Demand: A positive article in a newspaper, on TV news show or mentioned on the Internet often results in a discernable increase in product sales.

9.5.5 Reinforcing the Brand: In many companies the public relations function is also involved with brand reinforcement by maintaining positive relationships with key audiences and thereby aiding in building a strong image. Today it is ever more important for companies and brands to build a good image. A strong image helps the company build its business and it can help the company in times of crisis as well.

9.6 FUNCTIONS OF PUBLIC RELATIONS:

- Public Relations are establishing the relationship among the two groups (organisation and public).
- Art or Science of developing reciprocal understanding and goodwill.
- It analyses the public perception & attitude, identifies the organisation policy with public interest and then executes the programmes for communication with the public.

9.7. ELEMENTS OF PUBLIC RELATIONS:

- A planned effort or management function.
- The relationship between an organisation and its publics.
- Evaluation of public attitudes and opinions.
- An organisation's policies, procedures and actions as they relate to said organisation's publics.
- Steps taken to ensure that said policies, procedures and actions are in the public interest and socially responsible.
- Execution of an action and /or communication programme.
- Development of rapport, goodwill, understanding and acceptance as the chief end result sought by public relations activities.

9.8 CHECK YOUR PROGRESS-2:

(1) Fill in the blanks:

- a) Public relations (PR) is an important marketing tool that until recently was treated as a _____.
- b) Public Relations are a _____ activity to help an institution create a social climate favourable for its growth.
- c) Public Relations are execution of an action and or _____.
- d) Public Relations are a _____ or management function.

(2) State whether true or false?

- a) In the past, it was common for the marketing function and PR function to be handled by same departments within the firm.
- b) Today it is ever more important for companies and brands to build a good image.
- c) PR can be used to provide customers with more in depth information about products and services.
- d) Public Relations are establishing the relationship among the two groups, organisation and its employee.

9.9 THE PUBLIC RELATIONS PROCESS:

Effective public relations are the result of a process. This process must be integrated with the firm's marketing strategy. One common misconception about public relations and publicity is that quantity is more important than quality. Some

PR firm's measure success by the number of articles placed in media. As in other marketing efforts, public relations should be meaningful to the target market.

The PR process consists of the following steps: research, establishing the market objectives, defining the target audience, choosing the PR messages and vehicles, implementing the PR plan and evaluating the results.

9.9.1. Research:

Before a company can develop a public relations programme, it must understand the company's mission, objectives, strategies, and culture. It should know the vehicles that will be effective in delivering messages to the target audience. Much of the information needed by a PR manager will be contained in a well-written marketing plan. Ideally, the PR manager should be involved in the formation of the marketing plan.

The firm's environmental scanning system is another important source of information for the PR manager. Analysis of this information should identify trends and give the firm insights into how they should react to these trends. For example, many hotel and restaurant companies are now showing what they are doing to wave and protect the natural environment.

9.9.2. Establishing the Marketing Objectives:

Once the PR manager has identified opportunities through product experiment and research, priorities can be established and objectives set. Marketing PR can contribute to the following objectives:

(a) Build awareness: PR can place stories in the media to bring attention to a product, service, person, organization or idea.

(b) Build credibility: PR can add credibility by communicating the message in an editorial context.

(c) Stimulate the sales force and channel intermediaries: PR can help boost sales force and franchisee enthusiasm. Positive stories about a new menu item will make an impression on the customers, employees and franchisees of a restaurant chain. The publicity a hotel receives from winning the Ministry of Tourism Award provides their sales force with great ammunition when they make a sales call.

(d) Hold down promotion costs: PR costs less than direct mail and media advertising. The smaller the company's promotion budget is, the stronger the case for using PR to gain share of mind. Specific objectives should be set for every PR campaign.

9.9.3. Defining the Target Audience:

A relevant message delivered to a target audience by the appropriate vehicle is crucial to the success of any PR campaign. Effective PR practitioners carefully identify the public that they wish to reach. They then study these publics and find media that can be used as vehicles to deliver their message. The

identity issues important to the public form the message so that it seems natural and logical to the target audience.

9.9.4. Choosing the PR Message and Vehicles:

The PR practitioner is now ready to identify or develop interesting stories about the product or service. If the number of stories is insufficient, the PR practitioner should propose newsworthy events that the company can sponsor. Here the challenge is to create news rather than find it. PR ideas include hosting major academic conventions, inviting celebrity speakers and developing news conferences.

Each event is an opportunity to develop a multitude of stories directed at different audiences.

9.9.5. Implementing the Marketing PR Plan:

Implementing publicity requires care. Consider the matter of placing information in media. Exciting information is easy to place. However, most press releases are less than great and might not get the attention of busy editors. A chief asset of publicists is their personal relationship with media editors. Public relations practitioners are often ex-journalists who know many media editors and what they want. PR people look at media editors as a market to be satisfied so that they will continue to use the company's press releases.

Publicity requires extra care when it involves staging special events such as testimonial dinners, news conferences and national contests. PR practitioners need a good head for detail and for coming up with quick solutions when things go wrong. Most hotel corporations have a crisis plan included as part of their PR plan. In this plan they state who can talk to the media and who should not. These plans usually state that staff should not speak to media but instead direct all inquiries to the director of public relations.

9.9.6. Evaluating PR Results:

The contribution of PR is difficult to measure because it is used along with promotion tools. If it is used before other tools come into action then its contribution is easier to evaluate.

a) Exposures: The easiest measure of PR effectiveness is the number of exposures created in the media. Publicists supply the client with a clipping book showing all the media that carried news about the product and a summary statement such as the following:

Media coverage included 3,500 column inches of news and photographs in 350 publications with a combined circulation of 79.4 million; 2,500 minutes of air time on 290 radio stations and an estimated audience of 65 million; and 660 minutes of air time on 160 television stations with an estimated audience of 91 million. If this time and space had been purchased at advertising rates, it would have amounted to Rs.1,047,000.¹² This exposure measure is not very satisfying. There is no indication of how many people actually read, heard or

recalled the message and what they thought afterward. There is no information on the net audience reached because publications overlap in readership. Because publicity's goal is to reach, not frequency, it would be useful to know the number of unduplicated exposures. It is also important that publicity reaches target markets. A common weakness of publicity is that the persons exposed to it are not part of the company's target market.

b) Awareness / Comprehension / Attitude Change: A better measure is the change in product awareness/comprehension/attitude resulting from the campaign (after allowing for the effect of other promotional tools). For example, how many people recall hearing the news item? How many told others about it (a measure of word of mouth)? How many changed their minds after hearing it? The Potato Board learned, for example, that the number of people who agreed with the statement "potatoes are rich in vitamins and minerals" went from 36 percent before the campaign to 67 percent after the campaign, a significant improvement in product comprehension.

c) Sales – and - Profit Contribution: Sales-and-profit impact is the most satisfactory measure, if obtainable. A well-planned public relations campaign is usually part of an integrated promotional campaign. This makes it very difficult to isolate the impact of the PR campaign.

9.10 CHECK YOUR PROGRESS-3:

(1) Fill In The Blanks:

- a) Effective _____ are the result of a process.
- b) PR can add credibility by communicating the _____ in an editorial context.
- c) Effective PR practitioners carefully identify the _____ that they wish to reach.
- d) Each event is an opportunity to develop a multitude of stories directed at different _____.
- e) A well-planned public relations campaign is usually part of an _____ campaign.

9.11 MAJOR TOOLS IN MARKETING PUBLIC RELATIONS:

As we have noted while studying Public Relations, the challenges faced in implementing PR will lead many marketers to hire professionals to handle these activities. Whether marketers handle their own PR or seek outside help, it is important that they be familiar with the tools available for public relations.

The key tools available to carry out the public relations function include:

- Media Relations
- Media Tours
- Newsletters
- Special Events
- Speaking Engagements

- Sponsorships
- Employee Relations
- Community Relations and Philanthropy

Each of these PR tools is discussed in detail below.

9.11.1. Media Relations: Historically the core of public relations; media relations, includes all efforts to publicize products or the company to members of the press, TV and radio, newspaper, magazine, newsletter and Internet. In garnering media coverage, PR professionals work with the media to place stories about products, companies and company spokespersons. This is done by developing interesting and relevant story angles that are pitched to the media. It is important to remember that media placements come with good stories and no payment is made to the media for placements. In fact, in order to maintain the highest level of credibility, many news organizations bar reporters from accepting even the smallest gifts (e.g., free pencils with product logo) from companies. Key tools used in media relations include:

- Press Kits: Include written information such as a news release, organization background, key spokesperson biographies and other supporting materials that provide information useful to reporters.
- Audio or Video News Releases: These are pre-recorded features distributed to news media that may be included within media programming. For instance, a local news report about amusement parks may include portions of a video news release from a national amusement park company.
- Matte Release: Some media, especially small local newspapers may accept articles written by companies often as filler material when their publication lacks sufficient content. PR professionals submit matte releases through syndicated services (i.e. services that supply content to many media outlets) or directly to targeted media via email, fax or snail mail.
- Website Press Room : While hard copies of materials are used and preferred by some media, marketers are well served by an online press room that caters to media needs and provides company contact information.

As PR people know, many story ideas for newspapers, magazines and television news often start with a suggestion from a PR person. If things work out, a reporter or editor will, at best, write a positive story with the company as a key feature or, at minimum, include the company's name somewhere within an industry-focused article.

9.11.2. Media Tour: Some new products can be successfully publicized when launched with a media tour. On a media tour, a company spokesperson travels to key cities to introduce a new product by being booked on TV and radio talk shows and conducting interviews with print and Internet reporters or influencers (e.g., bloggers). The spokesperson can be a company employee or someone hired by the company, perhaps a celebrity or "expert" who has credibility with the target audience. One common use of the media tour is the book tour, where an author travels the country to promote a newly released book.

A media tour may include other kinds of personal appearances in conjunction with special events such as public appearances, speaking engagements or autograph signing opportunities.

9.11.3. Newsletters: Marketers who have captured names and addresses of customers and potential customers can use a newsletter for regular contact with their targeted audience. Newsletters can be directed at trade customers, final consumers or business buyers and can be distributed either by regular mail or electronic means (i.e., e-newsletters delivered via email or rss feed). Marketers using newsletters strive to provide content of interest to customers as well as information on products and promotions. A bookstore may include reviews of new books, information on online book chats and information on in-store or online promotions. A food manufacturer may include seasonal recipes, information on new products and coupons. Online newsletters offer the opportunity to link to stores carrying the marketer's products. Effective newsletters are sought out by and well received by interested audiences.

9.11.4. Special Events: These run the gamut from receptions to elegant dinners to stunts. Special events can be designed to reach a specific narrow target audience such as individuals interested in college savings plans to major events like a strawberry festival designed to promote tourism and regional agriculture. Stunts, such as building the world's largest ice cream sundae during National Ice Cream month captures the attention of an audience in the immediate area and also attracts the attention of mass media such as TV news and major newspapers which provide broad reach. The Oscar Mayer Weiner mobile is a classic example providing a recognizable icon that travels the country garnering attention wherever it visits. As with all PR programs, special event planners must work hard to ensure the program planned conveys the correct message and image to the target audience.

9.11.5. Speaking Engagements: Speaking before industry conventions, trade association meetings and other groups provides an opportunity for company experts to demonstrate their expertise to potential clients/customers. Generally these opportunities are not explicitly for company or product promotion; rather they are a chance to talk on a topic of interest to potential customers and serve to highlight the speaker's expertise in a field. Often the only mention of the company or its products is in the speaker biography. Nevertheless, the right speaking engagement puts the company in front of a good target audience and offers networking opportunities for generating customer leads.

9.11.6. Sponsorships: Companies and brands use sponsorships to help build goodwill and brand recognition by associating with an event or group. Marketers can examine sponsorship opportunities to find those that reach target groups, fit within a specified budget and provide sponsorship benefits that suit the marketer's objectives. There are numerous local, regional, national and international sponsorship opportunities ranging from a local art centre or theatre

to the Olympics. Most organizations seeking company sponsors provide information on the variety of sponsorship levels which include data on event audience, exposure opportunities, which can include signage, T-shirts, public announcements and numerous other opportunities, receptions and much more. Marketers can use this information to help match sponsorship opportunities with the company's objectives.

9.11.7. Employee Communications: For many companies communicating regularly with employees is important in keeping employees informed of corporate programs, sales incentives, personnel issues as well as keeping them updated on new products and programs. Companies use a variety of means to communicate with employees, including Intranet, email, online and print newsletters. In larger firms an in-house PR department often works in conjunction with the Human Resources Department to develop employee communications.

9.11.8. Community Relations and Philanthropy: For many companies fostering good relations with key audiences includes building strong relationships with their regional community. Companies implement programs supportive of the community ranging from supporting local organizations and institutions (e.g., arts organizations, community activities, parks) to conducting educational workshops (e.g., for teachers, parents) to donating product for community events and charitable fundraisers. The goal is generally to develop a positive relationship with members of the community (i.e., be known as a good neighbour). Effective community relations can help a company weather bad publicity or a crisis situation that can unexpectedly arise due to a problem with a product, unethical behaviour by management or even by false rumours. Some companies also make an effort to contribute to charitable organizations, often organizations that have some relationship to the company's mission or to a key principal of the company.

9.12 CHECK YOUR PROGRESS- 4:

(1) State whether true or false?

- a) Matte Release includes written information such as a news release, organization background, key spokesperson biographies and other supporting materials that provide information useful to reporters.
- b) Special events can be designed to reach audience.
- c) Companies and brands use sponsorships to help build goodwill and brand recognition by associating with an event or group.
- d) The right speaking engagement puts the company in front of a good target audience and offers networking opportunities for generating customer leads.

9.13 PUBLIC RELATIONS OPPORTUNITIES IN TRAVEL AND TOURISM SECTOR

Nowadays travel and tourism public relations play an important role in both tactical and strategic marketing activities and in many cases are integrated with marketing communications. The tourism industry has its own specific major sectors such as hotels and lodging, restaurants, establishments, tourist destinations, and transportation service.

Each mentioned sector of the travel and tourism industry has its own messages, public relations tools and audience. For instance, meeting planners are the most important to hotels, as well as travel agents; but they are of less importance to restaurants and airlines.

It is very important to create visitors' positive perceptions and feelings about holiday destination because success in the field of travel and tourism industry depends on it much. Hotels, restaurants, destinations, attractions and transportation modes - they all need strategic and effective public relations to be successful and popular among tourists. PR department creates favorable impressions of each and every sector of the travel and tourism industry.

Working out concepts, presenting companies, planning and conducting of PR campaigns are major tasks of winning the public attention in tourism. Another direction for public relations activities is interaction with the mass media (newspapers, radio, television, internet), with clients, partners and competitors and bodies of government.

You should not underestimate the power of the right PR campaign or try to create it yourself. Instead of it find a good company that knows the tasks of your business and know how to grab attention of the public without much effort. In this case the results will appear very soon and exceed your expectations.

9.14 SUMMARY:

In this unit we have discussed the meaning of public relations, its process and major tools in marketing public relations. What exactly is PR? PR involves communicating a message to one or more of the different publics that is target audiences, which an organisation wishes to influence in a positive way. These audiences will typically consist of the organisation's existing or potential customers and shareholders. It may also be in the organisation's interests to communicate a message to other different publics which may range from government regulators to all types of other officials, consultants and other advisers or any other decision-makers who are in the organisation's interests to influence positively. At a time when many organisations have to impose rigorous justifications on every penny of marketing expenditure, one particular marketing technique is acquiring an even greater importance than usual. This technique is public relations. Public relations or PR is a term many people in business use without being entirely clear what it means. PR is known to be a potentially extremely powerful promotional tool but relatively few people understand what it is, how to go about using it and least of all how to get value for money from it. In fact, though, there is no need whatsoever for PR to be a mystery.

Let us summarize the points we have discussed in this unit:

I. Definition of Public Relations: The process by which we create a positive image and customer preference through third-party endorsement.

II. Public Relations objectives: Building Product Awareness, Creating Interest, Providing Information, Stimulating Demand, Reinforcing the Brand.

III. Functions of Public Relations:

- Public Relations are establishing the relationship among the two groups (organisation and public).
- Art or Science of developing reciprocal understanding and goodwill.
- It analyses the public perception and attitude, identifies the organisational policy with public interest and then executes the programmes for communication with the public.

IV. Elements of public relations:

- A planned effort or management function.
- The relationship between an organisation and its publics.
- Evaluation of public attitudes and opinions.
- An organisation's policies, procedures and actions as they relate to said organisation's publics.
- Steps taken to ensure that said policies, procedures and actions are in the public interest and socially responsible.
- Execution of an action and or communication programme.
- Development of rapport, goodwill, understanding and acceptance as the chief end result sought by public relations activities.

V. The Public Relations Process:

- 1) Researching to understand the firm's mission, culture and target of the communication.
- 2) Establishing marketing objectives
 - a) Build awareness
 - b) Build credibility
 - c) Stimulate the sales force and channel intermediaries
 - d) Hold down promotion costs
- 3) Defining the target audience
- 4) Choosing the PR message and vehicles such as event creation
- 5) Implementing the marketing PR plan
- 6) Evaluating PR results
 - a) Exposures
 - b) Awareness/comprehension/attitude change
 - c) Sales-and-profit contribution

VI. Overview of the Major Tools in Public Relations: Media Relations, Media Tours, Newsletters, Special Events, Speaking Engagements, Sponsorships, Employee Relations, Community Relations and Philanthropy.

9.15 GLOSSARY:

- **Contests, sweepstakes, and games:** Give consumers a chance to win something, such as cash or a trip.
- **Corporate communications:** This activity covers internal and external communications and promotes understanding of an organization.
- **Counseling:** Involves advising management about public issues and company positions and image.
- **Event creation:** A particularly important skill in publicizing fund-raising drives or nonprofit organizations.
- **Lobbying:** Dealing with legislators and government officials to promote legislation and regulation.
- **Patronage rewards:** Cash or other awards for regular use of a company's products or services.
- **Point-of-purchase:** (POP) promotions include displays and demonstrations take place at the time of sale.
- **Premiums:** Goods offered either free or at low cost as an incentive to buy a product.
- **Press relations:** To place newsworthy information into the news media to attract attention.
- **Press release:** Information released to the media about certain new products or services.
- **Product publicity:** Various efforts to publicize specific products.

9.16 ANSWERS TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

(1) The process by which we create a positive image and customer preference through third-party endorsement.

CHECK YOUR PROGRESS-2

(1) Fill in the blanks:

- a) marketing stepchild
- b) planned and sustained
- c) communication programme
- d) planned effort

(2) State whether true or false?

- a) False
- b) True
- c) True
- d) False

CHECK YOUR PROGRESS-3

(1) Fill in the blanks:

- a) public relations
- b) message
- c) publics
- d) audiences

CHECK YOUR PROGRESS-4

(1) State whether true or false?

- a) False
- b) False
- c) True
- d) True

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9.18 SUGGESTED READINGS:

- Marketing management: Sontakki, C. N.
- Marketing management: MukeshDhunna
- Principles of public relations: Rayudu, C. S. & Balan, K. R.

9.19 TERMINAL QUESTIONS:

1. Explain the meaning of 'public relations'. Describe the process of Public relations.
2. Explain briefly the objectives of public relations. What are the functions and elements of public relations?
3. Explain various tools and techniques which are used in Public Relations.
4. Describe the role of public relations opportunities for hospitality industry.

**BLOCK 3:
BASIC CONCEPTS OF ENTREPRENEURSHIP
DEVELOPMENT**

UNIT 10: ENTREPRENEURSHIP DEVELOPMENT FOR TOURISM INDUSTRY- NEED, SIGNIFICANCE AND SCOPE

STRUCTURE

- 10.1 Introduction
- 10.2 Objectives
- 10.3 Meaning And Definitions Of Entrepreneurship Development
- 10.4 Characteristics Of An Entrepreneur
- 10.5 Check Your Progress 1
- 10.6 Concept Of An Entrepreneur
- 10.7 Objectives Of Entrepreneur
- 10.8 Entrepreneurial Development
- 10.9 Significance Of Entrepreneur In Economic Development
- 10.10 Needs Framework Of Entrepreneurial Motivation
- 10.11 Check Your Progress 2
- 10.12 Entrepreneurship Development: Programme Or Process
- 10.13 Scope Of Entrepreneurship Development
- 10.14 Summary
- 10.15 Glossary
- 10.16 Answers To Check Your Progress- 1 and 2.
- 10.17 References
- 10.18 Suggested Reading
- 10.19 Terminal Questions

10.1 INTRODUCTION:

Do you know that India is second among all nations in Total Entrepreneurship Activity as per the Global Entrepreneurship Monitor Report 2009 - 11 and that India is the fifth largest economy in the world (ranking above France, Italy, the United Kingdom, and Russia) and has the third largest Gross Domestic Product (GDP) in the entire continent of Asia. It is also the second largest among emerging nations. The liberalization of the economy in 1990s has paved the way for huge number of people to become entrepreneurs. This unit on entrepreneurship will expose you to different enterprises in plantations, management of enterprises, and spirit of entrepreneurship and to make real entrepreneurs in the field of Tourism.

10.1.1 Entrepreneurship:

- A theory of evolution of economic activities.
- A continuous process of economic development.
- An ingredient to economic development.
- Essentially a creative activity or an innovative function.
- A risk taking factor which is responsible for an end result.
- Usually understood with reference to individual business.
- The name given to the factor of production, which performs the functions of enterprise.
- Creates awareness among people about economic activity.
- Generates Self-employment and additional employment

10.1.2 Why Entrepreneurship?

- To improve backwardness of the people.
- Economic development of the region.
- To analysis resource utilization.
- Proper utilization of human potentiality.
- Special attention to take up new activities.
- To create self-employment and generation of employment opportunity.
- Eradication of regional imbalances.
- Better economic gain.

10.2 OBJECTIVES:

After studying this unit you should be able to:

- define entrepreneur and entrepreneurship
- identify essential qualities of entrepreneurship
- formulate entrepreneurial development process
- assess entrepreneurial opportunities in plantation
- And discuss procedures of setting up enterprises
- Need, Scope and significance of entrepreneurship

10.3 MEANING AND DEFINITIONS OF ENTREPRENEURSHIP DEVELOPMENT:

Entrepreneurship is the act of being an entrepreneur, which can be defined as "**one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods**". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization it is referred to as intra-preneurship and may include

corporate venturing, when large entities spin-off organizations. Strapdan Nelson is the first person to do this form of business.

According to Paul Reynolds, entrepreneurship scholar and creator of the Global Entrepreneurship Monitor, "by the time they reach their retirement years, half of all working men in the United States probably have a period of self-employment of one or more years; one in four may have engaged in self-employment for six or more years. Participating in a new business creation is a common activity among U.S. workers over the course of their careers." [2] And in recent years has been documented by scholars such as David Audretsch to be a major driver of economic growth in both the United States and Western Europe. "As well, entrepreneurship may be defined as the pursuit of opportunity without regard to resources currently controlled (Stevenson, 1983)".

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital to build the business. Angel investors generally seek annualized returns of 20-30% and more, as well as extensive involvement in the business.[4] Many kinds of organizations now exist to support would-be entrepreneurs including specialized government agencies, business incubators, science parks, and some NGOs. In more recent times, the term entrepreneurship has been extended to include elements not related necessarily to business formation activity such as conceptualizations of entrepreneurship as a specific mindset(see also entrepreneurial mindset) resulting in entrepreneurial initiatives e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship have emerged.

10.4 CHARACTERISTICS OF AN ENTREPRENEUR:

Entrepreneurs have many of the same character traits as leaders, similar to the early great man theories of leadership; however trait-based theories of entrepreneurship are increasingly being called into question. Entrepreneurs are often contrasted with managers and administrators who are said to be more methodical and less prone to risk-taking.

Such person-centric models of entrepreneurship have shown to be of questionable validity, not least as many real-life entrepreneurs operate in teams rather than as single individuals. Still, a vast literature studying the entrepreneurial personality found that certain traits seem to be associated with entrepreneurs:

- **David McClelland**- primarily motivated by an overwhelming need for achievement and strong urge to build.
- **Collins and Moore**- tough, pragmatic people driven by needs of independence and achievement. They seldom are willing to submit to authority.

- **Bird-** mercurial, that is, prone to insights, brainstorming, deceptions, ingeniousness and resourcefulness. They are cunning, opportunistic, creative, and unsentimental.
- **Cooper, Woo, & Dunkelberg-** argue that entrepreneurs exhibit extreme optimism in their decision-making processes.
- **Busenitz and Barney-** prone to overconfidence and over generalizations.
- **Cole-** found there are four types of entrepreneur: the innovator, the calculating inventor, the over-optimistic promoter, and the organization builder. These types are not related to the personality but to the type of opportunity the entrepreneur faces.
- **John Howkins-** focused specifically on creative entrepreneurship. He found that entrepreneurs in the creative industries needed a specific set of traits including the ability to prioritize ideas over data, to be nomadic and to learn endlessly. ^[10]

Thus, the characteristics of a unique entrepreneur are:

- Need for achievement
- High need for power
- Independence
- Propensity to take risk
- Personal modernity
- Support and Leadership
- Business enterprise

10.4.1 Essential qualities of Entrepreneurs:

Entrepreneurs need certain basic qualities for successful business activities. Those qualities are listed below:

- **Strong desire:** Entrepreneurs should have a strong desire to achieve a higher goal and make their dreams come true.
- **Consistency:** Entrepreneurs should be consistent in decision and follow up. Not to be deterred by difficulties and problems.
- **Risk taking:** Entrepreneurs should take moderate risk rather than a wild speculative gamble.
- **Opportunities analysis:** Entrepreneurs should be quick to see and grab opportunities. Show an innovative turn of mind and convert difficulties into possible opportunities.
- **Feedback:** Entrepreneurs should take immediate feedback on their performance. They seek prompt and accurate data even though it is not favourable.
- **Planning:** Entrepreneurs set a goal for them and make systematic plans to achieve that goal within a certain time limit.
- **Positivism/Optimistic:** Entrepreneurs should direct his fantasies towards the accomplishment of worthwhile goals and sets standards of excellence in what

Please check whether you have the essential qualities listed here under and try to adopt the essential qualities to become a successful entrepreneur.

• **Traits of entrepreneurs:** There are many traits of entrepreneur which can be listed. A few of them are mentioned below for your understanding.

Self motivation, Time orientation, Risk taking capability, learning from Failure and mistakes, Decision making skill, empathetically thinking, Family history and Relationship management.

10.5 CHECK YOUR PROGRESS 1:

(1) State True Or False:

- a) Entrepreneurs have a strong desire to achieve a higher goal.
- b) Entrepreneurs should not take immediate feedback on their performance.
- c) Entrepreneurial activities are substantially different depending on the type of organization and creativity involved.
- d) Entrepreneurs do not possess same character traits as leaders.

(2) Write a Short Note on Entrepreneurs

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10.6 CONCEPT OF AN ENTREPRENEUR:

The early history of entrepreneurship in India reflects from the culture, customs and tradition of the India people. The *Baliyatra* Festival of Cuttack, Orissa reminiscence of past glory of international trade. To process of entrepreneurship therefore passed through the potential roots of the society and all those who accepted entrepreneurial role had the cultural heritage of trade and business. Occupational pursuits opted by the individual under the caste system received different meaning of value attached to entrepreneurship, which is based on social sanctions. *Vaishyas* are considered to venture in to business pursuits. As society grew and the process of business occupation depended and the value work tended towards change and the various occupational role interchanged with non-role group and sub-groups. People from different castes and status also entered into the entrepreneurial role. The emergence of entrepreneurship in this part of the country got localized and spread effect, took its own time. The concept of growth theory seems to be closely related in explaining the theory of entrepreneurship development as well.

After the Second World War entrepreneurship received new meaning for attaining economic development within the shortest possible time. But in the process they were seriously handicapped by the rigid institutional setup, political instability, marketing imperfection and traditional value system.

Britishers for their own ulterior motive destabilized the then self sufficient Indian economy. England flourished and India had to pay for that. In the process

India suffered heavy industrial loss. Development of business eateries is a complex phenomenon influenced by both the internal and external factors. Internal factor originates in policies and attitude of the entrepreneur themselves.

In controlling the business itself, external factors are beyond the control of the business entrepreneur. They alone account for unpredictability of returns and risks assumed by the entrepreneur. A steady growth can be observed on the business of long cherished history of entrepreneurial development in the country is certainly promised or the environment to be created by the state and its agencies. The entrepreneurial motivation is one of the most important factors which accelerate the pace of economic development by bringing the people to undertake risk bearing activities. In many of the developing countries a lot of attention is being paid to the development of entrepreneurship because it is not the proprietary quality of any caste and community.

The entrepreneurship is usually understood with reference to individual business. Entrepreneurship has rightly been identified with the individual, as success of enterprise depends upon imagination, vision, innovativeness and risk taking. The production is possible due to the cooperation of the various factors of production, popularly known as land, labour, capital, market, management and of course entrepreneurship. The entrepreneurship is a risk-taking factor, which is responsible for the end result in the form of profit or loss.

According to A Schumpeter "The entrepreneurship is essentially a creative activity or it is an innovative function".

The economic activity with a profit motive can only be generated by promoting an attitude towards entrepreneurship. The renewed interest in the development of entrepreneurship to take up new venture should emphasize on the integrated approach. The developments of entrepreneurship will optimize the use of the unexploited resources; generate self-employment and a self sufficient economy.

The young entrepreneur should be motivated to come out with determination to do something of their own and also to contribute to the national income and wealth in the economy. If the country wants to achieve the growth at the grass root level, through social justice and the crimation of poverty, it will have to provide institutional support and structural changes in organization of financial institutions to promote entrepreneurship development. Industrial development in any region is the outcome of purposeful human activity and entrepreneurial thrust.

David Melelland emphasized the importance of achievement motivation as the basis of entrepreneurial personality and a cause of economic and social development through entrepreneurship by fulfilling the following needs such as

- 1) Need for power
- 2) Need for affiliation and
- 3) Need for achievement.

Another school of thought says “entrepreneurship is a function of several factors i.e. individual socio cultural environment and support system”.

Entrepreneurship is vibrant assertion of the facts that individual can be developed, then outlook can be changed and their ideas can be converted into action though on organized and systematic program for entrepreneurs. It was also felt that systematic training can be given a better output and attracting people for taking up business venture can change economic scenario.

Basic objective in developing entrepreneurship and multiplying them in the society has been to enable the society to generate productive human resource, mobilize and sustain the same in subsequent process of development. The spontaneity and continuity of the process would depend on the kind of people that can be prompted and groomed in the entrepreneurial career.

Sociologists, Psychologists and economists have all attempted to give a clear picture of the entrepreneur. Sociologists analyze the characteristic of entrepreneurs in terms of caste, family, social value and migration.

Psychologists on the other hand attempt to isolate entrepreneurs from general population on various personality trials such as need for achievement, creativity, propensity to take risk, independence leadership etc.

Economists lighted situational characteristics such as occupational backgrounds access to capital business and technological experience and managerial skills with economic gains considered as characteristic of entrepreneur.

As entrepreneur by implication is one who ventures out, who prefers change as a means of growth and it the process is prepared to take a calculated risk while taking risks he is aware of the possibilities, success as well as the consequence of failure.

It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. It is hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and it is a pathway to prosper. Entrepreneurship is the process of exploring the opportunities in the market place and arranging resources required to exploit these opportunities for long term gain. It is the process of planning, organizing, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as an ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment.

10.6.1 Promotion:

Given entrepreneurship's potential to support economic growth, it is the policy goal of many governments to develop a culture of entrepreneurial thinking. This can be done in a number of ways: by integrating entrepreneurship into education systems, legislating to encourage risk-taking, and national campaigns.

An example of the latter is the United Kingdom's Enterprise Week, which launched in 2004.

Outside of the political world, research has been conducted on the presence of entrepreneurial theories in doctoral economics programs. Dan Johansson, fellow at the Ratio Institute in Sweden, finds such content to be sparse. He fears this will dilute doctoral programs and fail to train young economists to analyze problems in a relevant way.^[11]

Many of these initiatives have been brought together under the umbrella of Global Entrepreneurship Week, a worldwide celebration and promotion of youth entrepreneurship, which started in 2008.

10.6.2 Financial Bootstrapping:

Financial bootstrapping is a term used to cover different methods for avoiding using the financial resources of external investors. Bootstrapping can be defined as “a collection of methods used to minimize the amount of outside debt and equity financing needed from banks and investors”. The use of private credit card debt is the most known form of bootstrapping, but a wide variety of methods are available for entrepreneurs. While bootstrapping involves a risk for the founders, the absence of any other stakeholder gives the founders more freedom to develop the company. Many successful companies including Dell Computers and Facebook were founded this way. There are different types of bootstrapping:

- Owner financing
- Sweat equity
- Minimization of the accounts receivable
- Joint utilization
- Delaying payment
- Minimizing inventory
- Subsidy finance
- Personal Debt

10.6.3 External Financing:

Many businesses need more capital than can be provided by the owners themselves, and in this case a range of options are available including:

- Angel Investors
- Venture capital investors.
- Crowd funding
- Hedge Funds
- Alternative Asset Management

Some of these sources provide not only funds, but also financial oversight, accountability for carrying out tasks and meeting milestones, and in some cases business contacts and experience - in many cases in return for an equity stake.

10.7 OBJECTIVES OF ENTREPRENEUR:

The main objectives of an entrepreneurial development programme are:

- To identify and train the potential entrepreneurs in the region;
- To develop necessary knowledge and skills among the participants in EDPSs.
- To impart basic managerial knowledge and understanding;
- To provide post-training assistance;
- To develop and strengthen entrepreneurial quality and motivation;
- To analyze the environmental issues related to the proposed project;
- To help in selecting the right type of project and products;
- To formulate the effective and profitable project;
- To enlarge the supply of entrepreneurs for rapid industrial development;
- To develop small and medium enterprises sector, which is necessary for employment generation and wider dispersal of industrial ownership;
- To industrialize rural and backward regions;
- To provide gainful self-employment to educated young men and women;
- To diversify the source of entrepreneurship;
- To know the pros and cons of being an entrepreneur.
- To provide knowledge and information about the source of help, incentives and subsidies available from government to set up the project;
- To impart information about the process, procedure and rules and regulations for setting up a new projects.
- Therefore, entrepreneurial development programmes have become imperative for exploiting vast untapped human skills and to channelize them into accelerating industrialization.

10.8 ENTREPRENEURIAL DEVELOPMENT:

The process of starting a new venture is embodied in the entrepreneurial development process. The process has four distinct phases.

- 1) Identification and evaluation of the opportunity
- 2) Development of the business plan
- 3) Determination of the required resources
- 4) Management of enterprises

1) Identification and Evaluation of the Opportunity: The process by which an entrepreneur come up with the opportunity for new venture. Each opportunity must be carefully screened and evaluated. It is important for the entrepreneur to understand the cause of opportunity. It may be technological change, market shift, government regulation or competition. Opportunity analyses focus only on the opportunity but not the entire venture.

2) Development of the Business Plan: A good business plan must be developed in order to exploit the defined opportunity. A good business plan is not only important on developing the opportunity but also essential in determining the

resources required and obtaining these resources and successfully managing the resulting venture.

3) Determination of the Required Resources: The resources needed for the opportunity can also be determined. This process starts with an appraisal of the entrepreneur's available resources. Any resources that are critical must then be distinguished from those that are just helpful.

4) Management of Enterprises: After resources are identified, the entrepreneur must employ them through the implementation of the business plan. A control system must be established so that problem areas can be carefully monitored.

10.8.1 Types of Entrepreneurship

One of the first decisions an entrepreneur faces while starting a new business is selecting the form of ownership for the new business venture. Understanding of ownership is very important for better entrepreneurial process. Entrepreneurs have a wider choice of forms of ownership. The most common forms of ownership are sole proprietorship, partnership, family ventures and corporation.

a) Sole proprietorship: A business is owned and managed by an individual. This form of ownership is by far the most popular. Advantages of this are, it is simple to create; least costly form of ownership to begin; total decision making authority; no special legal restrictions and easy to discontinue. However they are certain disadvantages like unlimited personal liability, limited skills and capabilities, feelings of isolation, limited access to capital, and lack of continuity for the business.

b) Partnership: A partnership is an association of minimum two and maximum of seven people who co-own a business for the purpose of making a profit. Advantages of this are: it is easy to establish, complementary skills, division of profits, larger pool of capital, ability to attract limited partners and less governmental regulations. Disadvantages are: it has unlimited liability of at least one partner, capital accumulation, difficulty in disposing of partnership, lack of continuity and potential for personality.

- **General partnership:** Partners of a firm share in the management and profits of the business; have ready access to accounting records and business affairs of the partnership; enjoys more privacy.
- **Limited partnership:** It is an association formed by one or more general partners and one or more limited partners. The general partner or partners manage the operation: The limited partner or partners are investors only. The general partner manages the partnership without interference from the limited partner or partners.

c) Family ventures: It is generally locally owned and operated, often by one person called a sole proprietor. Proprietors may have started their businesses in an effort to supplement or replace family income.

d) Corporation: Corporate entrepreneurship is the process of encouraging "innovation" within existing companies through motivated employees who are supported with company resources. This is classified as:

- **Administrative entrepreneurship:** The firm simply moves a step beyond formal R&D projects to encourage greater innovation and commercial development of new inventions.
- **Opportunistic entrepreneurship:** Talented Personnel is given freedom to pursue opportunities both for the organization and through external markets.
- **Acquisitive entrepreneurship:** Corporations actively count other firms and entrepreneurial start-ups rather than developing ideas through R&D
- **Initiative entrepreneurship:** This type of entrepreneurship takes advantage of other firm's ideas.
- **Incubative entrepreneurship:** Whenever new ideas materialize develop internally or through acquisition.

10.9 SIGNIFICANCE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT:

The industrial health of a society depends on the level of entrepreneurship existing in it. A country might remain backward not because of lack of natural resources or dearth of capital [as it is many times believed] but because of lack of entrepreneurial talents or its inability to tap the latent entrepreneurial talents existing in that society. Entrepreneurs historically have altered the direction of national economies, industry or markets- Japan, Singapore, Korea, Taiwan to name a few.

Economic Development: Entrepreneurship is basically concerned with creating wealth through production of goods and services. This results in a process of upward change where by the real per capita income of a country rises overtime or in other words economic development takes place.

Thus entrepreneurial development is the key to economic development. In fact it is one of the most critical inputs in the economic development of a region. It speeds up the process of activating factors of production leading to a higher rate of economic growth, dispersal of economic activities and development of backward regions. If a region is unable to throw up a sufficient number of entrepreneurs then alien entrepreneurs usually step in to provide goods and services needed by the people.

However the profits earned by these entrepreneurs are usually not ploughed back but repatriated to their place of origin. As a result development in that region cannot take place. Dr. M.M. Akhori refers to this practice as 'The Leech Effect'.

The above reiterates the importance of entrepreneurship development for fuelling economic growth of a region. Entrepreneurship begets and also injects entrepreneurship by starting a chain reaction when the entrepreneur continuously tries to improve the quality of existing goods and services and add new ones.

E.g. when computers came into the market there was continuous improvement in the models, their functions etc. like first generation computers, personal computers, laptops and palmtops etc. Not only had this fostered the development of the software industry, computer education institutes, computer maintenance and stationery units etc. but also other industries like banking, railways, education, travel, films, medical and legal transcriptions, business process outsourcing [BPOs] etc. In this manner by harnessing the entrepreneurial talent a society comes out of traditional lethargy to modern industrial culture.

India needs entrepreneurs to capitalize on new opportunities and to create wealth and new jobs.

Education: Towards the end of the sixties, two significant contributions were made in the field of entrepreneurship. One was that there is a positive linkage between entrepreneurship and economic development and the other was regarding the emergence of a strong hypothesis that entrepreneurship can be developed through planned efforts. Consequently planners realized that absence of a strong entrepreneurial base acts as a serious handicap in the industrial development of a region.

The identification and development of first generation entrepreneurs through Entrepreneurial Development Programmes is an important strategy. There is a growing realization that presence of resources and favourable government policies cannot automatically manufacture economic development. It is the entrepreneurial spirit of the people, which can transform the economy of that region. Both the quantity and quality of entrepreneurs are of utmost significance for achieving the goal of economic development. The myth that entrepreneurs are born with some innate traits is fortunately no longer held. You will learn more about this in the lesson on motivation.

Many research studies have brought out that entrepreneurship can be taught and learned. Entrepreneurship is a discipline and like all disciplines. It has models, processes and case studies, which can help an individual to study this subject. The necessary competencies required of a successful entrepreneur can be acquired through training and development.

Numerous courses in entrepreneurship are being taught all over the world in schools and colleges, seminars and conferences are being organized and EDPs are being conducted. The thinking today is why just create managers why not create people who can absorb managers. One can acquire the traits and learn the skills for becoming an entrepreneur e.g. a person can learn to be achievement oriented, self confident, perseverant etc. which are all part of the characteristics of a successful entrepreneur.

10.9.1 Importance of Entrepreneurship in Developed Economy:

- The nature of a developing economy is quite different from developed economy.

- The developing economy can be an agricultural country moving towards the industrialization or it may be the one where the industry may be in its infancy lacking advanced technology.
- The modern era is an era of changes. The whole world is becoming a village due to the industrial revolution and fast developing communication technology. The globalization of industry and commerce is bringing a vast change in various aspects of life.
- Economic development of a country is the outcome of purposeful human activity.
- The modern era is an era of changes. The whole world is becoming a village due to the industrial revolution and fast developing communication technology. The globalization of industry and commerce is bringing a vast change in various aspects of life.
- Economic development of a country is the outcome of purposeful human activity.
- Economic development is a highly dynamic process characterized by the pattern of demand shifts, new products are needed, appear for the production of goods within a country.
- A developing country needs entrepreneurs who are competent to perceive the new opportunities and are willing to incur the necessary risk in exploiting them.
- A developing economy is required to be brought out of the vicious circle of low income and poverty.
- Entrepreneur can break this vicious circle.
- Entrepreneurs and helping government can change a developing economy in developed economy.

10.10 NEEDS FRAMEWORK OF ENTREPRENEURIAL MOTIVATION:

In common perception, entrepreneurs are after money and they engage in profit making. True, profit- as understood in terms of the residual income of the owner after meeting all the expenses incurred on the engagement and utilisation of other factors of production-is the reward of entrepreneurship just as salary is to men and women in employment and professional fees is to those in profession. So everybody works for money. But people certainly don't work for money alone. After all, money is required not for its own sake, but for the sake of the needs of the person that it can fulfill. Money, thus, is not the need as such. It is teleological (to put it more simply, distantly) related to the internally felt needs (such as need for food) and socially acquired needs (such as status symbols). This leads us to the needs framework of studying entrepreneurial motivation. This framework serves the important purpose of enabling us to understand what motivates an entrepreneur. There are various variants of the needs framework, such as the Need Hierarchy Theory propounded by Maslow, Two-Factor Theory given by

Herzberg and Three- Factor/ERG Theory formulated by Alderfer. We would, however, be referring to here much celebrated framework of 'manifest' needs given by McClelland who may be regarded as the father of the study of entrepreneurial motivation. The prefix 'manifest' suggests that you can easily perceive or observe these needs from the behaviour of the individual. As such 'manifest' needs framework relates directly to what the entrepreneurs do and how they do it. Take for example the risk-taking and innovative behaviour of entrepreneurs that imply an individual's desire to undertake challenging identified tasks, pursuit of excellence and competitiveness. All these observable behaviours are summarized in 'Need for Achievement' or N-Ach. In the manifest needs framework.

10.10.1 Manifest Needs Theory

McClelland three types of manifest needs, namely, Need for Achievement (N-Ach.), Need for Power (N-Pow) and Need for Affiliation (NAff.). However, it is the N-Ach. That finds the pride of its place in entrepreneurship literature, so much so that achievement motivation is considered synonymous to entrepreneurial motivation. We would be describing N-Ach. In greater detail after having discussed N-pow. and N-Aff.

- **Need for Power (N-Pow.):** If a man "speculates about who is boss", he has a concern for power, notes McClelland. Need for power, in effect, is the "concern for influencing people" or the behaviour of others for moving in the chosen direction and attaining the envisioned objectives. In common perception, politicians, social-religious leaders Chief Executive Officers (CEOs), Government Bureaucrats/Civil Servants typify the need for power. Such a perception seems more based on the belief that the source of power lies in the "position" a person occupies in organizational/societal context. In the same vein, business ownership too may imply a need for power. Moreover, you would appreciate that the process of founding a business, one has to win the commitment of capital providers, suppliers of equipment and materials, the employees and that of the customers. Link this aspect of entrepreneurial motivation to the competencies related to Assertiveness, Persuasion and Influence Strategies.
- **Need for Affiliation:** If a man "readily thinks about interpersonal relationships", he has a concern for affiliation, wrote McClelland. It implies, among other things, "a tendency of the people to conform to the wishes and norms of those whom they value." Apparently, social activists, environmentalists, teachers, and doctors and nurses may seem as predominantly driven by these needs. Entrepreneurs are believed to be low on affiliation, as they are and expected to be, innovative, trendsetters and tradition breakers. However, it is not necessary that affiliation should only interfere with achievement. In certain cultures, family comprises the bedrock on which the successful careers are built. One works, as if, not for personal gratification but for family. Desire to carry on the tradition of business in the family and the community to which one belongs,

may be interpreted as reflecting need for affiliation as well. In the countries with the colonial past, such as ours, the first generation of entrepreneurs in Independent India was driven by patriotic fervor and the desire to rebuild the economy left stagnated by the alien rulers. One can certainly trace some elements of affiliation in such instances. Moreover, some industries are particularly suitable for person with high need for affiliation and having distinct competencies in Empathy and Concern for Employees.

- **Need for Achievement:** Entrepreneurial behaviour is so much singularly attributed to this need that one may just stop short of taking entrepreneurial motivation and achievement motivation as synonymous. N-ach Concerns issues of excellence, competition, challenging goals and overcoming difficulties. A complete achievement sequence would comprise, "... defining the problem, wanting to solve it, thinking of means to solving it, thinking of difficulties that get in the way of solving it (either in one's self or in the environment), thinking of people who might help in solving it, and anticipating what would happen if one succeeded or failed."

Accordingly, a person with need for achievement would want to take personal responsibility for solving problem. One is goal oriented, that is, one sets moderate, realistic, attainable goals. One also seeks challenge, excellence, and individuality, one takes calculated/ moderate risk and is willing to work hard for that. One is always keen to find out how well one is doing and likes concrete feedback on performance. In fact, it is the "feedback" value of profit/money that often results in incorrect attribution of motive to behaviour.

In market economies, profit is probably the best indicator of business performance just as the salary drawn is a measure of one's status and competence and professional fees charged a measure of one's creditability.

Entrepreneurs may appear to be chasing profit for its own sake, the fact of the matter could be that they derive a feedback satisfaction from the amount of profits earned and are more concerned about achieving the goals they set for themselves. Should other measures of performance become paramount, the amount of profit earned would cease to be the sole feedback on performance.

In fact, as the society progresses, measures such as respectability, ethicality, quality, employee involvement, customer satisfaction eco-friendliness and overall business/corporate citizenship etc. assume increasing importance as regards business performance. Affirmative action, responsible and responsive business behaviour is the talk of the day. Sometimes, people lament that the amount of money earned and wealth in one's possession confound other important aspects of one's performance so much so that money becomes the end and not the means. A stereotypical image of the entrepreneurs is that they engage in reckless pursuit of profit even at the expense of legitimate expectations of the customers of quality, employees of fair wages and as regards payment of taxes. However, research is inconclusive about entrepreneurs being neither more nor less ethical than those in other occupations in this regard.

McClelland's research methodology sought to identify the dominant need through projective techniques. We would like to say, however, that it is rarely if ever that we are trying to satisfy just one type of need through our behaviour. As a person, we try to simultaneously satisfy multiple needs economic, social, and psychological. Hence, for example, quest for a "respectable," "growth oriented," "challenging," "fun," job/career. In fact, as regards entrepreneurship, one often hears "Need for Autonomy" or N-Aut also being an important driver of behaviour.

- **Need for Autonomy:** The need for autonomy is a desire for independence which, in effect, becomes a desire to do work of one's choice and at one's pace, defining one's own rules of the game, taking initiative, making independent and innovative choices and being responsible and accountable to oneself rather than some external authority for performance. Research evidence too seems to suggest desire independence as the prime motivator of entrepreneurial behaviour. Hence, in the context of entrepreneurship it may be interpreted as the determination not to work for someone else. Clearly a preference for 'YOB' over 'JOB.' A career departure from employment to entrepreneurship may also be interpreted as 'Desire to be on one's own' as one becomes so much dissatisfied with present employment that rather than seeking another job, entrepreneurship seems a more preferred alternative. Further, it is the absence of this autonomy in jobs rather than other factors that seem to be driving people into starting their own ventures- for a distant observer such a decision may appear "risky" given the job security and compensation package! Thus, you may come across people who risk their cushy jobs for the sake of preserving their autonomy.

10.11 CHECK YOUR PROGRESS 2:

(1) Fill in the blanks:

1. is a term used to cover different methods for avoiding using the financial resources of external investors.
2. is essentially a creative activity or it is an innovative function.
3. is a business is owned and managed by an individual
4. The industrial health of a..... depends on the level of entrepreneurship existing in it.
5. Entrepreneurship is basically concerned with creating wealth through production of

10.12 ENTREPRENEURSHIP DEVELOPMENT: PROGRAMME OR PROCESS:

Performance of Entrepreneurship Development Programmes (EDPs) in India has not been very exciting. Starting 1971, India embarked on a massive programme of entrepreneurship development. Since then, there is no looking back. As of now, more than 700 state levels financial institutions, public sector banks and other agencies across India, have been conducting thousand of EDPs

every year. This is similar to 'Senior Achievement Programme' based on the principle of 'Catch them young' in the USA; and 'Young Enterprises Programme' in the UK (Khanka, 2005).

Well known behavioral scientist David McClelland at Harvard University made an interesting investigation into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that 'the need for achievement' (n ach factor) was the answer to his question (McClelland, 1961). It was 'need to achieve' that motivated people to work hard. According to him, money making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five- year experimental study in one of the prosperous district.

This experiment is popularly known as 'Kakinada Experiment'. As a part of this experiment, young persons were selected and put through a three month training programme and motivated to seek fresh goals. One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit an entrepreneur and that the suitable training can provide the necessary motivation to the entrepreneurs (McClelland and Winter, 1969). The achievement motivation has positive impact on the performance of entrepreneurs. The Kakinada Experiment could be treated as a precursor to the present day EDP input on behavioral aspects.

In fact, it was the Kakinada Experiment that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as EDP, to induce motivation and competence among the young prospective entrepreneurs.

10.12.1 Evaluation of EDPs:

Developing entrepreneurship has become a movement in India in the recent years. EDPs have been considered as an effective instrument for entrepreneurship in the countryside. Hundreds of EDPs are conducted by more than 700 organizations to impart entrepreneurial training to participants in thousands (Gupta, 1990).

The main objective of these EDPs is to train enterprise creators. Having spent lot of public money and effort for organising EDPs it was also necessary to evaluate whether the objectives of EDPs are fulfilled or not. In simple words, there is a need to have a data as to how many participants of these EDPs have actually started their own enterprises after completing the training.

It was observed that one out of every four trainees (26 per cent) actually started his/her enterprise after undergoing entrepreneurial training. However, the expected final start-up rate was slightly higher around 32 per cent. About 10 per cent trainees are found blocked due to various reasons at various stages in the process of setting up their enterprises. If not helped effectively, they may join the

category of those 29 percent trainees who have already given up the idea of launching their ventures. According to the secondary sources, viz., family, friends and neighbours, out of trainees who could not be contacted personally during this field survey, 17 per cent have given up the idea of venture launching as they are engaged in other activities.

According to Awasthi and Sebastian (1996), the performance of EDPs across the states and across the ED organization has not been uniform. The actual start-up rates are observed to be oscillating between 9 percent and 56 per cent, bringing down the overall national start-up rate to about 26 per cent. This by any count cannot be considered as impressive performance. And in this non impressive performance lies the need for looking at the problems and constraints of EDPs.

10.12.2 Measuring Performance:

It is clear that the problems are not with the strategy but with its implementation. One way of evaluating the EDPs is to assess their effectiveness in developing 'need for achievement' among the entrepreneurs. This is also called 'the qualitative evaluation' of EDPs. McClelland and Winter (1969) used the following criteria to assess the effectiveness of EDPs in motivating the entrepreneurs-

- (i) Activity level of the respondents;
- (ii) New enterprise established;
- (iii) Total investments made;
- (iv) Investments in fixed assets made;
- (v) Number of people employed;
- (vi) Number of jobs created;
- (vii) Increase in profit;
- (viii) Increase in sales;
- (ix) Quality of product/service improved; and
- (x) Quicker repayment of loans.

In other behavioral experiments the impact of EDPs is measured with the help of indices relating to the entrepreneurial behaviour. The entrepreneurial behaviour is measured on the following four dimensions –

- (a) Planning orientation,
- (b) Achievement orientation,
- (c) Expansion orientation, and
- (d) Management orientation.

10.12.3 Reported Problems Faced by EDPs:

Different studies on evaluation of EDPs have highlighted a few issues. EDPs suffer on following counts. The problems and lacunae are on the part of participants and steps in the process - should it be the trainers and the trainees, the ED organization, the supporting organizations, and the government bodies involved. The important problems EDPs face are listed as follow:

1. Trainer-motivations are not found up to the mark in motivating the trainees to start their own enterprises.
2. ED organizations lack in commitment and sincerity in conducting the EDPs. In some cases, EDPs are used as a means to generate surplus (income) for the ED organizations.
3. Non-conducive environment and constraints make the trainer-motivators' role ineffective.
4. The apathetic attitude of the supporting agencies like banks and financial institutions serves as stumbling block in the success of EDPs.
5. Selection of wrong trainees also leads to low success rate of EDPs.

10.13 SCOPE OF ENTREPRENEURSHIP DEVELOPMENT:

In India there is a dearth of quality people in industry, which demands high level of entrepreneurship development programme throughout the country for the growth of Indian economy. The scope of entrepreneurship development in country like India is tremendous. Especially since there is widespread concern that the acceleration in GDP growth in the post reforms period has not been accompanied by a commensurate expansion in employment.

Results of the 57th round of the National Sample Survey Organization (NSSO) show that unemployment figures in 2008-09 were as high as 8.9 million. Incidentally, one million more Indian joined the rank of the unemployed between 2009-10 & 2010-11. The rising unemployment rate (9.2% 2010 est.) in India has resulted in growing frustration among the youth. In addition there is always problem of underemployment.

As a result, increasing the entrepreneurial activities in the country is the only solace. Incidentally, both the reports prepared by Planning Commission to generate employment opportunities for 10 crore people over the next ten years have strongly recommended self-employment as a way-out for teaming unemployed youth. We have all the requisite technical and knowledge base to take up the entrepreneurial challenge. The success of Indian entrepreneurs in Silicon Valley is evident as proof. The only thing that is lacking is confidence and mental preparation. We are more of a reactive kind of a people. We need to get out of this and become more proactive. What is more important than the skill and knowledge base is the courage to take the plunge. Our problem is we do not stretch ourselves. However, it is appreciative that the current generations of youth do not have hang-ups about the previous legacy and are willing to experiment. These are the people who will bring about entrepreneurship in India. At present, there are various organizations at the country level & state level offering support to entrepreneurs in various ways.

The Govt. of India & various State Govts have been implementing various schemes & programmes aimed at nurturing entrepreneurship over last four decades. For example, MCED in Maharashtra provides systematic training, dissemination of the information & data regarding all aspects of entrepreneurship

& conducting research in entrepreneurship. Then there are various Govt. sponsored scheme for the budding entrepreneurs.

Recognizing the importance of the entrepreneur development in economic growth & employment generation, Maharashtra Economic Development Council (MEDC) has identified entrepreneurial development as the one of the focus area for Council activities two years ago. Various Chambers of Commerce & apex institutions have started organizing seminars & workshops to promote entrepreneurship. Incidentally, various management colleges have incorporated entrepreneurship as part of their curriculum. This is indeed a good development. This shows the commitment of the Govt. & the various organizations towards developing entrepreneurial qualities in the individuals.

10.13.1 Future Perspective:

Entrepreneurship as in the past will determine technical innovations, status of social institutions and political management systems. On the basis of these factors, we can expect the future to be a place where basic needs will remain and only the wants will change. India will overcome the barriers of infrastructure; we will also visualize a strong manufacturing and agricultural sector. Entrepreneurs and not managers will be in demand, as only they will be equipped to find order in chaos.

The focus of entrepreneurial energy will shift from achieving volume sales to fulfill a specific requirement. Governance will become more transparent and will be willing to accept changes necessary for growth and development. More autonomy will become the basis of all issues.

The future will see Entrepreneurship as the key driver of economic development Technological obsolescence will become order of the day and there will be more space for leisure. New businesses will be credited with providing variety of new jobs in the economy. New and small business will also develop more than their share of product and service innovation. At one end we will see the technological upheavals in quick succession and on the other end there will be social value systems and cultural issues undergoing slow but dynamic transformations.

10.14 SUMMARY:

In this unit you have learn about the meaning of Entrepreneurship, why Entrepreneurship is needed for tourism industry. Significance and scope of Entrepreneurship is also being defined in this unit. Entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods".

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major

undertakings creating many job opportunities. The industrial health of a society depends on the level of entrepreneurship existing in it. A country might remain backward not because of lack of natural resources or dearth of capital [as it is many times believed] but because of lack of entrepreneurial talents or its inability to tap the latent entrepreneurial talents existing in that society. Entrepreneurs historically have altered the direction of national economies, industry or markets- Japan, Singapore, Korea, Taiwan to name a few.

10.15 GLOSSARY:

- **Entrepreneur Innovator**- Someone who organizes a business venture and assumes the risk for it
- **Extrinsic rewards**- are the outcome not belonging to the activity to which it is connected, e.g. a prize or an award
- **Intrinsic rewards**- the rewards those are inherent in the activity such as 'pleasure'
- **Manifest-needs**- the need pattern evident from one's behavior

10.16 ANSWERS TO CHECK YOUR PROGRESS1 & 2:

CHECK YOUR PROGRESS-1

(1) State True or False

1. True
2. False
3. True
4. False

CHECK YOUR PROGRESS-2

(2) Fill In The Blanks:

1. Financial bootstrapping
2. Entrepreneurship
3. Sole proprietorship
4. Society
5. Goods and services.

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10.18 SUGGESTED READING

- Entrepreneurship and Small Business Management : Gupta C.B, Khanka S.S
 - Entrepreneurship and Growth of Enterprise in Industrial Estates: Rao N. Gangadhar
 - Entrepreneurial Performance in Indian Industry: Sharma R.A.
 - Motivation, Performance, Rewards: Saxena Anand
 - Organization Theory and Behaviour: Sharma R.A.
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10.19 TERMINAL QUESTIONS

Short Answer Type Questions:

1. Explain the three roles played by entrepreneurs.
2. State the importance of Entrepreneurship in the economic development of a country.
3. What are the objectives of Entrepreneurship Development Programmes (EDPs)?
4. What issues and problems do entrepreneurs face in 'Selection of Business' and in 'Choice of form of business enterprise'?
5. Give a brief outline of entrepreneurial practices in India.

Long Answer Type Questions:

1. Describe any five qualities that a person should possess to be a successful entrepreneur.
2. What are the important functions performed by entrepreneurs, after conception of a business idea?

3. A person having sufficient amount of money can become a successful entrepreneur. Do you agree with this statement? Give reason in support of your answer.

4. Jai comes from a family of weavers who have been working on a small scale on their handloom. She dreams of turning the family vocation into a world-wide business. To start and set up a business enterprise in this field what are the factors she should consider?

Unit 11: ENTREPRENEURIAL ATTRIBUTES, TYPES AND ENTREPRENEURSHIP FUNCTIONS

STRUCTURE

- 11.1 Introduction
- 11.2 Objectives
- 11.3 Entrepreneurial Attributes
- 11.4 Check Your Progress-1
- 11.5 Entrepreneurial Types
- 11.6 Entrepreneurship Functions
- 11.7 Check Your Progress- 2
- 11.8 Summary
- 11.9 Glossary
- 11.10 Answer to Check Your Progress- 1, 2.
- 11.11 References
- 11.12 Suggested Readings
- 11.13 Terminal Questions

11.1 INTRODUCTION:

In the previous you have learn about the meaning of entrepreneurship need, significance and scope of entrepreneurship development for tourism industry. In this unit you will study about the entrepreneurial attributes, types and functions of entrepreneurship.

Entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods".

According to A Schumpeter "The entrepreneurship is essentially a creative activity or it is an innovative function".

The economic activity with a profit motive can only be generated by promoting an attitude towards entrepreneurship. The renewed interest in the development of entrepreneurship to take up new venture should emphasize on the integrated approach. The developments of entrepreneurship will optimize the use of the unexploited resources; generate self-employment and a self sufficient economy.

11.2 OBJECTIVES:

After studying this unit you will able to learn

- Meaning of entrepreneurship
- Entrepreneurial attributes
- Entrepreneurial types
- Entrepreneurship functions

11.3 ENTREPRENEURIAL ATTRIBUTES:

Being self-employed or starting your own business takes a lot of time, hard work, patience and determination - but it takes more than that. It takes entrepreneurship, dedication and commitment - but it takes even more than that. It takes someone who is organized, willing to learn from mistakes and can keep going even in the tough times.

Some people naturally possess (and apply) all, or most, of the important entrepreneurial attributes – and for those people entrepreneurship comes more easily. Many of us have to work hard to improve our shortcomings and improve them we must. Take note of where you need to improve and how you can learn the attributes you will need to be successfully self-employed. Some of the attributes of successful entrepreneurs are given below

11.3.1. To Do Something:

You should remember the feeling, even to this day, after a short period of re-entering the workplace as an employee and being sacked because I was too good at what I did. Yes it sounds back to front doesn't it? But someone in management was threatened by my success in procuring leads for the company, and so decided to relieve me of my duties. I am extremely thankful, because on that day I declared that I would never again work for anyone else. That was the day that I decided to do something'.

And that's what it takes. An entrepreneur, for whatever triggers that sets them off to enter the world of entrepreneurialism, takes charge and does something. I did it for freedom. I did it for family. I did it for income. I did it for something. The very fact that within a few short weeks I was making more money than I had ever made working for someone else, by working less hours in my own business — confirmed to me that by deciding to do something, and then doing it, was definitely the pathway I was going to travel on for the rest of my working life.

11.3.2. To Undertake:

If you're going to be an entrepreneur you're going to have to undertake. That doesn't mean you're going into the funeral business, although I have heard that it's very profitable and that it will never die out. Apart from wanting to work for yourself, you have a product or a service that you believe in, and you want to sell that to your customers.

No matter whether it was a cleaning business, publishing company or a web design business, I undertook to provide a professional service, establish my unique selling position so that I stood out from the crowd and provided

impeccable customer service. I undertook to do things with a spirit of excellence, and while doing this made it my mission to learn as much about not just being the technician in my business — but rather being the owner of the business that was working not only in the business, but on the business.

11.3.3. To Risk:

I have risked, and at times I have failed. That is why it is called risk. In the early days I took risks that literally cost me everything. With more experience and wisdom under my belt, I learned the power of operating from a position of calculated risk rather than all out 'red-blooded' risk where I had a chance of crashing and burning. The risks that I take today generally have an exit strategy in place before I enter the venture or at least a boiler fund of finance on hand if things don't go to plan.

I also endeavour to create a range of income generating sources in the process, just in case one doesn't produce as anticipated. I no longer enter business transactions with rosy-tinted glasses on. I do my research. I put all the correct legal in place. I seek advice from a range of professionals and mentors, but at the same time listen to my 'gut'.

11.3.4. To Profit:

If a venture is not profitable within a reasonable timeframe of expended effort, I am not afraid of closing it down. However, timeframes may vary. For ex., low cost online ventures might only require a month or two of testing to see whether they are going to produce.

However, a venture that requires a much larger investment of staff, stock and leases may require a year or two. But if they are not profitable in the proposed time frame, then I am not afraid to kill projects. The facts are, some ideas will never work, and are better off dead before they kill you. I have learned to never allow my identity be so caught up in a project that I am afraid to cut the lifeline. The end of any business doesn't necessarily mean the end of you—especially if you cut off the life supply long before it cuts off yours.

11.3. 5. To Know:

Even after being involved in a number of businesses for many years I realized that there was still much that I didn't know. That's when I hired a business coach.

I quickly developed a love/hate relationship with my coach. I hated my business coach because he asked me the hard questions when we met every week. But on the other hand I loved my business coach because we doubled our income in the next twelve months of operation.

Nowadays, I surround myself with mentors from a range of industries to keep me primed— and from time to time pull in coaches who are experts in an area I am exploring so I can learn more. To be successful as an entrepreneur you must know you, know your business, know where you're going, know how

your business is running, know whether your business is sick or healthy, and know where the next trend is coming from so that you can be a leader and not just a follower. To know, and to then apply what you know, is power indeed for the successful entrepreneur.

11.3.6. To Judge:

There are two judgments that you can make as an entrepreneur: wise judgments and unwise judgments. Wise judgments will provide you with positive results that will grow your business.

Unwise judgments will provide you with negative results that will impact your business, and if you are willing to learn from your mistakes they can actually become the building blocks for future success as an entrepreneur. The important thing is that you don't sit on the fence. You must pass judgment and make judgments. There is an element of risk involved in this, but if you surround yourself with wise counsel — either coaches or mentors — you will minimize the impact, if for some reason you make a mistake.

11.3.7. To Manage:

When it comes to being successful as an entrepreneur, the first one whom you need to manage is you. Time management is an important key (though someone once told me that you can never manage time — it should rather be termed as you management) and I have found that if you can manage you, then you will be in a better position to manage others and your business affairs.

Here are the two best time management strategies Mary Kay, who created a cosmetic empire, managed her time by making her list of 6 every day: the 6 most important things that needed doing. Whatever wasn't completed was transferred to the next day and so on. Giorgio Armani works on 8 projects simultaneously. One hour per project. That means 8 projects per day. When the hour's up one project is put aside and another is commenced.

11.3.8. To Produce:

Alfred Marshall, back in the 19th Century, proposed that this included land, labor, capital and organization, but in the 21st Century it now includes such things as technology plus more, and who knows what the years ahead will add to that list. Entrepreneurs are the producers of this century and are bringing wonderful changes designed to create better lives for all of us.

To be a successful entrepreneur, we produce products and services for our clients to make their lives better, but the spin-off from this is that we lift the lid on our own earning capacity so that we can bless our families from our efforts. Apart from the money, one of the positive outcomes that has come from me bringing my children up in the world of entrepreneurialism is that they are now owning and operating their own businesses, and they realize that no matter where they could find themselves in the world they have possession of the skills

and the abilities to start something profitable from nothing, let's say a business, not reliant on governments, employers, nor the state of the economy. They, as responsible entrepreneurs are responsible for their own success and their own future.

11.4 CHECK YOUR PROGRESS- 1:

(1) Define entrepreneurship?

(2) Identify Whether True/False:

- (a) Entrepreneurship is an innovative function.
- (b) Entrepreneurs should have a strong desire to achieve a higher goal and make their dreams come true.
- (c) An Entrepreneur is pessimistic in nature.
- (d) Management is an important attributes of Entrepreneurs.

11.5 ENTREPRENEURIAL TYPES:

In the initial stages of economic development, entrepreneurs tend to be shy and humble but as the development process picks up speed, they tend to become more enthusiastic and confident.

They help make the business environment healthy and development oriented. Highly enthusiastic and innovative entrepreneurs exist only in developed countries as level of their -economic and technological development has reached a certain level whereas in developing and under-developed countries, imitative entrepreneurs are more successful. However, the various types or entrepreneur are classified as under:

(A) According to the Type of Business:

(i) **Business entrepreneur:** Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality. Entrepreneur examines the various possibilities of sources of finance, supply of labour, raw-materials or finished product as the case may be.

Business entrepreneur may be undertaking the trading business or manufacturing business but initially the size of the business is very small. As the entrepreneur flourishes, he tends to expand his business.

(ii) **Trading entrepreneur:** As the very name indicates trading entrepreneur is concerned with trading activities and not manufacturing. Trading means buying the finished product from the producer and selling off to the customer directly or through a retailer.

A trading entrepreneur has to be creative enough as he has to identify the market. He has to identify potential market, create demand through extensive advertisement of his product and thus inspire people to buy his product. For this is inevitable for him to find out the desires, tastes and choices of his customer in domestic as well as international market.

(iii) **Industrial entrepreneur:** As the very name indicates, an industrial entrepreneur is one who sets up an industrial unit. He perceives the opportunity

to set up his unit, complies with necessary formalities of getting license, power connection, pollution control clearance (if the need be) arrange initial capital, providing securities and guarantees to the financial institutions, making payment of wages and supply necessary technical know-how. An industrial entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture. Manufacturer of leather products, textiles, electronics, food items and the like are industrial entrepreneurs.

(iv) Corporate entrepreneur: Corporate entrepreneur is the one who plans, develops and manages a corporate body. He is a promoter, an essential part of board of directors, an owner as well as an entrepreneur. He gets his corporate body registered under the requisite Act which gives his company the status of separate legal entity.

(v) Agricultural entrepreneur: Agricultural entrepreneur is the one who is engaged in the agricultural activities. He uses latest technology to increase the productivity of agriculture and also adopts mechanisation.

(B) According to Motivation:

(i) Pure entrepreneur: Pure entrepreneur is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture. He is status-conscious and wants recognition.

(ii) Induced entrepreneur: Induced entrepreneur is attracted by the various incentives, subsidies and facilities offered by the government. 'An entrepreneur is not born' —this is no doubt true as every person can be trained to become a good entrepreneur.

Most of the entrepreneurs who enter into business are induced entrepreneur as various kinds of financial, technical and managerial facilities are provided by the government to promote entrepreneurship. An entrepreneur can develop himself much more by attending EDPs and they can make a stand in the market. Import restrictions, allocation of production quotas to SSIs, reservation of products for small industry etc. have forced many young people to set up a small industry.

Non-Resident Indians (NRIs) and educated unemployed seeking self-employment or newly married bridegrooms by taking financial support of their in-laws may be described as induced entrepreneur. This class of entrepreneur accounts for maximum number of failures because there is no proper screening of misfits.

(C) According to the Use of Technology:

(i) Technical entrepreneur: The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing. He possesses craftsman skill in himself which he applies to develop and to improve the technical aspect of the product.

(ii) Non-technical entrepreneur: Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business. His target is not to change the production technique but how to increase the demand of the product in which he is dealing.

(iii) Professional entrepreneur: Professional entrepreneur means an entrepreneur who is interested in floating a business but does not want to manage or operate it. Once the business is established, he sells it out and catches on to float a new business.

(D) According to Stages of Development:

(i) First generation entrepreneur: First generation entrepreneur are those entrepreneurs who do not possess any entrepreneurial background. They start an industrial unit by means of their own innovative skills.

(ii) Second generation entrepreneur: Second generation entrepreneur are those entrepreneurs who inherit the family business firms and pass it from one generation to another.

(iii) Classical entrepreneur: A classical entrepreneur is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the unit but with or without an element of growth.

(E) Classification Given by Danhof:

(i) Innovating entrepreneur: Innovative entrepreneurs are generally aggressive and possess the art of cleverly putting the attractive possibilities into practice. An innovating entrepreneur is one who introduces new goods, inaugurates new methods of production, discovers new market and re-organises the enterprise. He arranges money, launches an enterprise, assembles the various factors, chooses the competent managers and sets his enterprise go.

Schumpeter's entrepreneur is of this type. His entrepreneur belongs to that nation which has wide industrial base, modern banking facilities, rich infrastructure, up to date technology and the like. Innovative entrepreneurs do not exist in developing economies where lack of capital, technological know-how block the path of innovativeness.

In developed countries, people are highly developed and consistently look forward for change. They want to consume such products which do not commonly exist in the world. They want progress as they have achieved high level of development. Innovating entrepreneur played a key role in the rise of modern capitalism, through their enterprising spirit, hope of making money, and ability to recognise and exploit opportunities.

(ii) Imitative entrepreneurs: Imitative entrepreneurs are characterised by readiness to adopt successful innovations inaugurated by successful innovating entrepreneurs. Imitative entrepreneurs do not imitate the changes themselves, they only imitate techniques and technologies innovated by others. Such entrepreneurs are significant for under-developed economies because they put

such economies on high rate of economic development. Entrepreneurs prefer to imitate the technology already existing somewhere in the world.

However, the talent of imitative entrepreneurs should not be underestimated. Even imitative entrepreneurs are revolutionary and agents of change. They have ability to do things which have not been done before even though, unknown to them, the problem may have been solved in the same way by others. Innovative entrepreneur is creative, while imitative entrepreneur is adoptive.

(iii) Drone entrepreneur: Drone entrepreneurs are characterised by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns. They can suffer loss but are not ready to make changes in their existing production methods. When competition increases, they are pushed out of the market as it becomes uneconomical for them to exist and operate in a competitive market.

(F) According to Capital Ownership:

(i) Private entrepreneur: When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur/entrepreneurs.

(ii) State entrepreneur: As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.

(iii) Joint entrepreneur: Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.

11.6 ENTREPRENEURSHIP FUNCTIONS:

An entrepreneur performs a series of functions necessary right from the genesis of an idea up to the establishment and effective operation of an enterprise. He carries out the whole set of activities of the business for its success. He recognises the commercial potential of a product or a service, formulates operating policies for production, product design, marketing and organisational structure. He is thus a nucleus of high growth of the enterprise.

According to some economists, the functions of an entrepreneur is classified into five broad categories:

- Risk-bearing function,
- Organisational function,
- Innovative function,
- Managerial function, and
- Decision making function.

11.6.1. Risk-Bearing Function:

The functions of an entrepreneur as risk bearer are specific in nature. The entrepreneur assumes all possible risks of business which emerges due to the possibility of changes in the tastes of consumers, modern techniques of

production and new inventions. Such risks are not insurable and incalculable. In simple terms such risks are known as uncertainty concerning a loss. The entrepreneur, according to Knight, "is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured neither capitalised nor salaried too."

Richard Cantillon conceived of an entrepreneur as a bearer of non-insurable risk because he described an entrepreneur as a person who buys things at a certain price and sells them at an uncertain price.

Thus, risk bearing or uncertainty bearing still remains the most important function of an entrepreneur which he tries to minimise by his initiative, skill and good judgement. J.B. Say and other have stressed risk taking as the specific function of the entrepreneur.

11.6.2 Organisational Function:

Entrepreneur as an organiser and his organising function is described by J.B. Say as a function whereby the entrepreneur brings together various factors of production, ensures continuing management and renders risk-bearing functions as well. His definition associates entrepreneur with the functions of coordination, organisation and supervision. According to him, an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit. In this way, he describes an entrepreneur as an organiser who alone determines the lines of business to expand and capital to employ more judiciously. He is the ultimate judge in the conduct of the business.

Marshall also advocated the significance of organisation among the services of special class of business undertakers.

11.6.3 Innovative Function:

The basic function an entrepreneur performs is to innovate new products, services, ideas and informations for the enterprise. As an innovator, the entrepreneur foresees the potentially profitable opportunity and tries to exploit it. He is always involved in the process of doing new things.

According to Peter Drucker, "Innovation is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth". Whenever a new idea occurs entrepreneurial efforts are essential to convert the idea into practical application.

J.A. Schumpeter considered economic development as a discrete dynamic change brought by entrepreneurs by instituting new combinations of production, *i.e.* innovation. According to him innovation may occur in any one of the following five forms.

- The introduction of a new product in the market with which the customers are not get familiar with.

- Introduction of a new method of production technology which is not yet tested by experience in the branch of manufacture concerned.
- The opening of a new market into which the specific product has not previously entered.
- The discovery of a new source of supply of raw material, irrespective of whether this source already exists or has first to be created.
- The carrying out of the new form of organisation of any industry by creating of a monopoly position or the breaking up of it.

11.6.4 Managerial Function:

Entrepreneur also performs a variety of managerial function like determination of business objectives, formulation of production plans, product analysis and market research, organisation of sales procuring machine and material, recruitment of men and undertaking, of business operations. He also undertakes the basic managerial functions of planning, organising, co-ordinating, staffing, directing, motivating and controlling in the enterprise. He provides a logical and scientific basis to the above functions for the smooth operation of the enterprise thereby avoids chaos in the field of production, marketing, purchasing, recruiting and selection, etc. In large establishments, these managerial functions of the entrepreneur are delegated to the paid managers for more effective and efficient execution.

11.6.5 Decision Making Function:

The most vital function an entrepreneur discharges refers to decision making in various fields of the business enterprise. He is the decision maker of all activities of the enterprise. A. H. Cole described an entrepreneur as a decision maker and attributed the following functions to him.

- He determines the business objectives suitable for the enterprise.
- He develops an organization and creates an atmosphere for maintaining a cordial relationship with subordinates and all employees of the organization.
- He decides in securing adequate financial resources for the organisation and maintains good relations with the existing and potential investors and financiers.
- He decides in introducing advanced modern technology in the enterprise to cope up with changing scenario of manufacturing process.
- He decides the development of a market for his product, develops new product or modify the existing product in accordance with the changing consumer's fashion, taste and preference.
- He also decides to maintain good relations with the public authorities as well as with the society at large for improving the firms image before others.

11.7 CHECK YOUR PROGRESS- 2:

(1) What are the types of entrepreneur according to capital ownership?

(2) Define the organisational functions of an entrepreneur?

(3) Identify Whether True/False:

- (a) Innovative entrepreneurs are generally aggressive and possess the art of cleverly putting the attractive possibilities into practice.
- (b) An entrepreneur determines the business objectives suitable for the enterprise.
- (c) Joint entrepreneur means the combination of private entrepreneur only.
- (d) Innovative function is concern with the introduction of a new product in the market with which the customers are not get familiar with.

11.8 SUMMARY:

In this unit you have learn about the meaning of entrepreneurship, what are important attributes of a successful entrepreneur? Various types of entrepreneur and functions of entrepreneurship is also being discuss in this unit. An entrepreneur is defined as someone who undertakes a business venture in other words we can say that an entrepreneur was someone who undertakes a business venture with no guarantee of profits, or is rather the bearer of risks inflicted by changes in market demand. An entrepreneur as someone who assumes not only the risk of a business venture (as a capitalist) but also the management of the business venture. The economic activity with a profit motive can only be generated by promoting an attitude towards entrepreneurship. The renewed interest in the development of entrepreneurship to take up new venture should emphasize on the integrated approach.

11.9 Glossary:

- **Entrepreneur-** Someone who organizes a business venture and assumes the risk for it.
- **Extrinsic rewards-**It is the outcome not belonging to the activity to which it is connected, e.g. a prize or an award.
- **Innovative Product-** It is concern with the introduction of a new product in the market with which the customers are not get familiar with.
- **Joint entrepreneur:** Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.
- **Manifest-needs-** The need pattern evident from one's behavior.
- **Risk –** it is the activity in which fear of loss is involved.

- **Venture:** Any initiative that entails the mobilization of resources to establish a good, service, program, and so forth to address needs, wants, problems, and challenges.

11.10 Answer to Check Your Progress:

Check Your Progress-1

(1) Entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods".

(2) Identify Whether True/False:

- (a) True
- (b) True
- (c) False
- (d) True

Check Your Progress-2

(1) (i) **Private entrepreneur:** When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur/entrepreneurs.

(ii) **State entrepreneur:** As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.

(iii) **Joint entrepreneur:** Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.

(2) According Organisational Function to an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit.

(3) Identify Whether True/False:

- (a) True
- (b) True
- (c) False
- (d) True

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11.12 SUGGESTED READINGS:

- Entrepreneurship and Small Business Management: Gupta C.B, Khanka S.S
 - Entrepreneurial Performance in Indian Industry: Sharma R.A.
 - Entrepreneurship and Growth of Enterprise in Industrial Estates: Rao N Gangadhar
 - Motivation, Performance, Rewards: Saxena Anand
 - Organization Theory and Behaviour: Sharma R.A.
-

11.13 TERMINAL QUESTIONS:

- Q1.** Define entrepreneurship? Discuss in detail entrepreneurial attributes of successful entrepreneurs.
- Q2.** Discuss in different types of entrepreneurial in detail?
- Q3.** Discuss the functions of entrepreneurship?

UNIT 12: THEORIES OF ENTREPRENEURSHIP AND INSTITUTIONAL ROLE IN THE ENTREPRENEURSHIP DEVELOPMENT

STRUCTURE

- 12.1 Introduction
- 12.2 Objectives
- 12.3 Introduction: Meaning Of Entrepreneur and entrepreneurship
- 12.4 Theories of Entrepreneurship
- 12.5 Check Your Progress 1
- 12.6 Entrepreneurial Practices in India
- 12.7 Institutional Support to Entrepreneurs
- 12.8 Check Your Progress 2
- 12.9 Summary
- 12.10 Glossary
- 12. 11 Answers to Check Your Progress 1 And 2
- 12.12 Reference
- 12. 13 Suggested Reading
- 12.14 Terminal Questions

12.1 INTRODUCTION:

In the previous chapter, you have learnt about Entrepreneurial Attributes, Entrepreneurial Types and Entrepreneurship Functions. In the present chapter we will be discussing about theories of entrepreneurship, what are important roles of different financial institutions in better development of entrepreneurs at central level, state level and district level?

12.2 OBJECTIVES:

After studying this unit, you will be able to:

- State the meaning of entrepreneurship.
- Explain various theories of entrepreneurship.
- Describe Entrepreneurial practices in India
- Explain important roles of different financial institutions in entrepreneurship development at central and state level.
- Explain important roles of different financial institutions in entrepreneurship development at district level.

12.3 MEANING OF ENTREPRENEUR AND ENTREPRENEURSHIP:

It is often said that a person cannot win a game that they do not play. In the context of entrepreneurship, this statement suggests that success depends on people's willingness to become entrepreneurs. Moreover, because the pursuit of entrepreneurial opportunity is an evolutionary process in which people select out at many steps along the way, decisions made after the discovery of opportunities—to positively evaluate opportunities, to pursue resources, and to design the mechanisms of exploitation—also depend on the willingness of people to 'play' the game. An entrepreneur is an innovative person who maximizes his profits by following new strategies or venturing into new products or services. A good entrepreneur is one who is capable of inspiring confidence in people, and has the ability to motivate them. An Entrepreneur is a person who has possession over a company, enterprise, or venture, and assumes significant accountability for the inherent risks and the outcome.

12.3.1 Definition:

Entrepreneur has been defined as under:

1. **According to Oxford Dictionary** "A person who sets up a business or businesses, taking on financial risks in the hope of profit"
2. **International Encyclopedia defines entrepreneur as** "An individual who bears the risk of operating a business in the face of uncertainty about the future conditions"

The entrepreneur is an individual who forms an organization for commercial purpose. He/She is proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labour and the consumer. "Entrepreneur is an employer, master, merchant but explicitly considered as a capitalist"

On the other hand Entrepreneurship consists of doing things that are not generally done in the ordinary course of business routine; it is essentially a phenomenon that comes under the wider aspect of leadership. Entrepreneurship has been defined as under:

1. In the words of **Albert Shapero** "In entrepreneurship, there is agreement that we are talking about a kind of behaviour that includes: (1) initiative taking, (2) the organizing or reorganizing of social economic mechanisms to turn resources and situations to practical account, and (3) the acceptance of risk of failure" .
2. **Joseph Schumpeter** defines "Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources".

12.4 THEORIES OF ENTREPRENEURSHIP:

Entrepreneurship refers to a process of action an entrepreneur undertakes to establish his/her enterprise. It is an innovative and creative response to the surrounding. In other words entrepreneurship can be defined as an ability to discover create or invent opportunities and exploit them to the benefit of the society, which brings prosperity to the innovator and his organisation.

Main theories of entrepreneurship are summarised as follow:

12.4.1 Early Theories of Entrepreneurship:

Richard Cantillon (1680-1734) was the first of the major economic thinkers to define the entrepreneur as an agent who buys means of production at certain prices to combine them into a new product. He classified economic agents into landowners, hirelings, and entrepreneurs, and considered the entrepreneur as the most active among these three agents, connecting the producers with customers.

Jean Baptise Say (1767-1832) improved Cantillon's definition by adding that the entrepreneur brings people together to build a productive item.

12.4.2 Frank Knight's Risk Bearing Theory:

Frank Knight (1885-1972) first introduced the dimension of risk-taking as a central characteristic of entrepreneurship. He adopts the theory of early economists such as Richard Cantillon and J B Say, and adds the dimension of risk-taking. This theory considers uncertainty as a factor of production, and holds the main function of the entrepreneur as acting in anticipation of future events. The entrepreneur earns profit as a reward for taking such risks.

12.4.3 Alfred Marshall's Theory of Entrepreneurship:

Alfred Marshall in his Principles of Economics (1890) held land, labor, capital, and organization as the four factors of production, and considered entrepreneurship as the driving factor that brings these four factors together. The characteristics of a successful entrepreneur include:

- thorough understanding of the industry
- good leadership skills.
- foresight on demand and supply changes and the willingness to act on such risky foresights.

Success of an entrepreneur however depends not on possession of these skills, but on the economic situations in which they attempt their endeavors.

Many economists have modified Marshall's theory to consider the entrepreneur as the fourth factor itself instead of organization, and which coordinates the other three factors.

12.4.4 Max Weber's Sociological Theory:

The sociological theory entrepreneurship holds social cultures as the driving force of entrepreneurship. The entrepreneur becomes a role performer in

conformity with the role expectations of the society, and such role expectations base on religious beliefs, taboos, and customs.

Max Weber (1864-1920) held religion as the major driver of entrepreneurship, and stressed on the spirit of capitalism, which highlights economic freedom and private enterprise. Capitalism thrives under the protestant work ethic that harps on these values. The right combination of discipline and an adventurous free-spirit define the successful entrepreneur.

12.4.5 Mark Casson's Economic Theory:

Mark Casson (1945) holds that entrepreneurship is a result of conducive economic conditions.

In his book "Entrepreneurship, an Economic theory" he states the demand for entrepreneurship arising from the demand for change. Economic factors that encourage or discourage entrepreneurship include:

1. taxation policy
2. industrial policy
3. easy availability of raw materials
4. easy access to finance on favorable terms
5. access to information about market conditions
6. availability of technology and infrastructure
7. marketing opportunities

12.4.6 Joseph Schumpeter's Innovation Theory:

Joseph Schumpeter's innovation theory of entrepreneurship (1949) holds an entrepreneur as one having three major characteristics: innovation, foresight, and creativity. Entrepreneurship takes place when the entrepreneur

1. creates a new product
2. introduces a new way to make a product
3. discovers a new market for a product
4. finds a new source of raw material
5. finds new way of making things or organization

Schumpeter's innovation theory however ignores the entrepreneur's risk taking ability and organizational skills, and place undue importance on innovation. This theory applies to large-scale businesses, but economic conditions force small entrepreneurs to imitate rather than innovate. Other economists have added a dimension to imitating and adapting to innovation. This entails successful imitation by adapting a product to a niche in a better way than the original product innovators innovation.

12.4.7 Israel Kirzner's Theory of Entrepreneurship:

Israel Kirzner (1935) hold spontaneous learning and alertness two major characteristics of entrepreneurship, and entrepreneurship is the transformation of spontaneous learning to conscious knowledge, motivated by the prospects of some gain.

Kirzner considers the alertness to recognize opportunity more characteristic than innovation in defining entrepreneurship. The entrepreneur either remedies ignorance or corrects errors of the customers. His entrepreneurship model holds:

1. The entrepreneur subconsciously discovering an opportunity to earn money by buying resources or producing a good, and selling it.
2. Entrepreneur financing the venture by borrowing money from a capitalist.
3. Entrepreneur using the funds for his entrepreneurial venture.
4. Entrepreneur paying back the capitalist, including interest, and retaining the "pure entrepreneurial profit."

12.4.8 Leibenstein's Theory of Entrepreneurship:

Harvey Leibenstein (1922-1994) consider entrepreneur as gap-fillers. The three traits of entrepreneurship include:

1. recognizing market trends
2. develop new goods or processes in demands but not in supply
3. determining profitable activities

Entrepreneurs have the special ability to connect different markets and make up for market failures and deficiencies.

12.4.9 McClelland's Theory of Achievement Motivation:

McClelland's Theory of Achievement Motivation hold that people have three motives for accomplishing things: the need for achievement, need for affiliation, and need for power. Need for achievement and need for power drive entrepreneurship. David McClelland (1917-1988) considers entrepreneurs as people who do things in a better way and makes decisions in times of uncertainty. The dream to achieve big things overpowers monetary or other external incentives. McClelland's experiment revealed that traditional beliefs do not inhibit an entrepreneur, and that it is possible to internalize the motivation required for achievement orientation through training.

12.4.10 Peter Drucker's Theory of Entrepreneurship:

Peter Drucker (1909-2005) holds innovation, resources, and an entrepreneurial behavior as the keys to entrepreneurship. According to him entrepreneurship involves

1. increase in value or satisfaction to the customer from the resource
2. creation of new values.
3. combination of existing materials or resources in a new productive combination.

12.5 CHECK YOUR PROGRESS: 1

Answer the following in brief:

(1) Define entrepreneur.

.....

 (2) Define entrepreneurship.

(3) Fill In The Blanks:

1. is the dynamic process of creating incremental wealth.
2. Entrepreneurship refers to a process of action an entrepreneur undertakes to establish his / her.....
3. Harvey Leibenstein consider entrepreneur as.....
4. Israel Kirzner holdtwo major characteristics of entrepreneurship.

12.6 ENTREPRENEURIAL PRACTICES IN INDIA:

The history of entrepreneurship is important worldwide, even in India. In the pre colonial times the Indian trade and business was at its peak. Indians were experts in smelting of metals such as brass and tin. Kanishka Empire in the 1st century started nurturing Indian entrepreneurs and traders.

Following that period, in around 1600 A.D., India established its trade relationship with Roman Empire. Gold was pouring from all sides. Then came the Portuguese and the English. They captured the Indian sea waters and slowly entered the Indian business. They forced the entrepreneurs to become traders and they themselves took the role of entrepreneurs. This was the main reason for the downfall of Indian business in the colonial times which had its impact in the post-colonial times too. The colonial era make the Indian ideas and principles rigid.

A region of historic trade routes and vast empires, the Indian subcontinent was identified with its commercial and cultural wealth for much of its long history. Gradually annexed by the British East India Company from the early eighteenth century and colonized by the United Kingdom from the mid-nineteenth century, India became an independent nation in 1947 after a struggle for independence that was marked by widespread nonviolent resistance. It has the world's twelfth largest economy at market exchange rates and the fourth largest in purchasing power. Economic reforms since 1991 have transformed it into one of the fastest growing economies however, it still suffers from high levels of poverty, illiteracy, and malnutrition. For an entire generation from the 1950s until the 1980s, India followed socialist-inspired policies. The economy was shackled by extensive regulation, protectionism, and public ownership, leading to pervasive corruption and slow growth. Since 1991, the nation has moved towards a market-based system.

As stated earlier, the term entrepreneurship is generally associated with the establishment of a small business. There is no doubt that in a country like India, Capable persons with dynamic confidence and vision usually launch small enterprises instead of going in for employment. Entrepreneurship offers an independent way of life for the young persons who want to be masters of their own destiny. Many authors believe, lack of entrepreneurship is one of the causes of the slow growth of Indian economy although we have abundance of natural resources and manpower. This fact has been duly recognised by the government which provides many facilities and incentives to entrepreneurs. Hence, the industrial polices and five-year plans of the government have encouraged entrepreneurs to increase the tempo of industrialisation. The government now provides various incentives and concessions, which include capital subsidy, technical know-how, marketing facilities, providing industrial sheds and other infrastructure facilities. After the establishment of Industrial Financial Corporation of India (IFCI) by the Central Government, several state governments have started their own financial corporations to help entrepreneurs in raising finance and providing technical facility. Further, institutions like Industrial Development Bank of India (IDBI), Small Industrial Development Bank India (SIDBI), Small Industries Development Organisation (SIDO), National Small Industries Corporations (NSIC), Small Industries Service Institutes (SISIs), State Small Industries Development Corporations (SSIDC), Directorate of Industries, District Industries Centres (DICs) have helped towards proliferation of entrepreneurship in our country. Some of these financial institutions have also started providing venture capital to young and upcoming entrepreneurs. The sustained efforts of the government and these institutions have started yielding results. The results are more prominent in the post liberalisation period (1990). Mr. N.R. Narayana Murthy of Infosys technologies and Mr. Shiv Nadar of HCL technologies are the best examples. However, a vast majority of entrepreneurs are engaged in tiny and small-scale units. The usual problems faced by such business establishments include shortage of material, capital and power, lack of training facilities, lack of quality control, inadequate marketing faculties and so on. The government has to address these problems permanently so that entrepreneurship in India could reach new heights.

12.7 INSTITUTIONAL SUPPORT TO ENTREPRENEURS:

Governments-both Central and State, have in the past taken a number of measures for the development of small and medium enterprises. Government has set up a number of development institutions to support entrepreneurs. Some of the institutions assisting entrepreneurs include District Industries Centres (DICs) and Industrial Estate, Small Industries Development Organisation (SIDO), Small Industries Service Institutes (SISI), Small Industry Development Corporation (SIDCO), Entrepreneurial Guidance Bureau (EGB), National Alliance of Young Entrepreneurs (NAYE), National Productivity Council (NPC) and

Venture capital funds (VCF). In addition, all India financial institutions-IDBI, IFCI, ICICI-have promoted/sponsored a number of Technical Consultance Organisations (TCOs) to assist small entrepreneurs in different ways. Recently, the Small Industries Development Bank of India (SIDBI) has been established to help small scale units. Besides, agencies like Khadi and Village Industries Commission, Commercial Banks, Cooperative Banks, EXIM Bank and National Science and Technology Entrepreneurship Board undertake promotional activities aiming at support in entrepreneurship development. Now, what follows in the subsequent pages is the various kinds of support provided by aforesaid institutions to the entrepreneurs to help them establish industries.

12.7.1 Small Scale Industries Board (SSIB):

The Government of India constituted a Board, namely, Small Scale Industries Board (SSIB) in 1954 to advise on the development of small scale industries in the country. The SSIB is also known as Central Small Industries Board. The range of developmental work in small scale industries involves several departments/ministries and several organs of the Central/State Governments. Hence, to facilitate co-ordination and inter-institutional linkages, the Small Scale Industries Board has been constituted. It is an apex advisory body constituted to render advice to the Government on all issues pertaining to the development of small-scale industries.

The Industries Minister of the Government of India is the Chairman of the SSIB. The SSIB comprises of 50 members including State Industry Minister, some Members of Parliament, and Secretaries of various Departments of Government of India, financial institutions, public sector undertakings, industry associations and eminent experts in the field.

12.7.2 State Small Industries Corporations:

Many State Governments have set up Small Industries Corporations in order to undertake a number of commercial activities. The most important of these activities are distribution of scarce raw materials, supply of machinery on hire purchase basis, constitution and management of industrial estates, procurement of orders from Government Departments, assistance in export marketing and in certain cases provision of financial, technical and managerial assistance to small enterprises.

12.7.3 Small Industries Development Corporation (SIDCO):

In Tamilnadu SIDCO is the state small industries corporation. It plays a lead role in developing small scale sector. It provides the following facilities to small scale units:

- (a) It makes provision of constructed sheds/plots in industrial estates. These are sold to entrepreneurs on hire-purchase basis or given on rental basis.

(b) Assistance in procuring some scarce key raw materials like iron and steel, paraffin wax, potassium chlorate, Fatty Acids, etc., through its various distribution centres.

(c) Financial assistance in the form of subsidies to industrial units in backward areas like Central Investment subsidy, state capital subsidy. Interest-Free sales tax loans, power tariff subsidy and margin money assistance for the rehabilitation of the sick small scale industries.

(d) Marketing assistance to small entrepreneurs.

12.7.4. Small Industries Service Institutes (SISIs):

The Small Industries Services Institutes (SISIs) are set up to provide consultancy and training to small entrepreneurs-both existing and prospective. The activities of SISIs are coordinated by the Industrial Management Training division of the DCSSI's office. There are 28 SISIs and 30 branch SISIs set up in State capital and other places all over the country. The main functions of SISIs include:

1. To serve as interface between Central and State Governments.
2. To render technical support services.
3. To conduct Entrepreneurship Development Programmes.
4. To initiate promotional programmes.

The SISIs also render assistance in the following areas:

- (i) Economic Consultancy/Information/EDP Consultancy.
- (ii) Trade and market information's.
- (iii) Project profiles.
- (iv) State industrial potential survey.
- (v) District industrial potential surveys.
- (vi) Modernisation and inplant studies.
- (vii) Workshop facilities.
- (viii) Training in various trade/activities.

12.7.5 District Industries Centres (DICs):

The District Industries Centres were established in May 1978 with a view to provide integrated administrative framework at the district level for promotion of small-scale industries in rural areas. The DICs are envisaged as a single window interacting agency with the entrepreneur at the district level. Services and support to small entrepreneurs are provided under a single roof through the DICs. They are the implementing arm, of the Central and State Governments for various schemes and programmes. Registration of small industries is done at the district industries centres. The organisational structure of DICs consists of General Manager, four Functional Managers and three Project Managers to provide technical service in the area relevant to the needs of district concerned. Management of the DIC's is done by the State Governments. The scheme has now been transferred to the states and from the year 1993-94, funds will not be provided by the Central Government to the States for running the DICs.

Functions

The DICs role is mainly promotional and developmental. To attain this, they have to perform the following main functions:

1. To conduct industrial potential surveys keeping in view the availability of resources in terms of material and human skill, infrastructure, demand for product, etc. To prepare techno-economic surveys and identify product lines and then to provide investment advice to entrepreneurs.
2. To prepare an action plan to effectively implement the schemes identified.
3. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources of its supply and procedure for procuring imported machinery, if needed, assessing requirements for raw materials etc.
4. To appraise the worthiness of the various proposals received from entrepreneurs.
5. To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarisation and export promotion of their products.
6. To undertake product development work appropriate to small industries.
7. To conduct artisan training programmes.
8. To function as the technical arms of DRDA in administering IRD and TRYSEM programmes.

12.7.6 Industrial Estates:

Developing countries require institutional arrangements for their rapid industrialisation and balanced growth. One such institutional measure is industrial estates. The term 'industrial estate' is called by different names, e.g., industrial park, industrial zone, industrial region, industrial city, industrial area, Industrial Township, etc. An industrial estate has been defined as a method of "organising, housing and servicing industry, a planned clustering of industrial enterprises offering standard factory building erected in advance of demand and a variety of services and facilities to the occupants". In other words, an industrial estate is a tract of land sub-divided and developed according to a comprehensive plan for the use of a community of industrial enterprises. It is a planned clustering of industrial units offering standard factory buildings and a variety of services and facilities to entrepreneurs.

Types of Industrial Estates

Industrial estates are classified on various bases. The prominent ones are:

1. Classification on the basis of Functions: On the basis of functions industrial estates are broadly classified into two types: (i) General type industrial estates, and (ii) Special type industrial estates.

General Type Industrial Estates: These are also called as conventional or composite industrial estates. These provide accommodation to a wide variety

and range of industrial concerns. The Indian industrial estates are mainly of this type.

Special Type Industrial Estates: This type of industrial estates is constructed for specific industrial units, which are vertically or horizontally interdependent.

2. Classification on the basis of Organisational Set-up: On this basis, industrial estates are classified into following four types:

- (i) Government Industrial Estates,
- (ii) Private Industrial Estates,
- (iii) Co-operative Industrial Estates, and
- (iv) Municipal Industrial Estates.

3. Other Classifications:

(i) Ancillary Industrial Estates: In such industrial estates, only those small-scale units are housed which are ancillary to a particular large industry. Examples of such units are like one attached to the HMT, Bangalore.

(ii) Functional Industrial Estates: Industrial units manufacturing the same product are usually housed in these industrial estates. These industrial estates also serve as a base for expansion of small units into larger units.

(iii) The Workshop-bay: Such types of industrial estates are constructed mainly for very small firms engaged in repair work.

Objectives of Industrial Estates

The main objectives of the establishment of industrial estates are:

- (i) To provide infrastructure and accommodation facilities to the entrepreneurs;
- (ii) To encourage the development of small-scale industries in the country;
- (iii) To decentralise industries to the rural and backward areas;
- (iv) To encourage ancillarisation in surrounding major industrial units; and
- (v) To develop entrepreneurship by creating a congenial climate to run the industries in these estates.

Industrial Estates in India

One of the handicaps faced by small scale industries in India has been the lack of well-developed space with the necessary infrastructure for carrying on their manufacturing operations. In order to overcome this problem, the Government of India launched the programme of setting up industrial estates in 1955. The responsibility for planning, developing, constructing and managing industrial estates lies with the respective State Governments. They are free to run the estates through corporations or any other agencies of their choice. The Central Government provides financial assistance to the State Governments for the development of industrial estates. Such financial assistance is provided in the form of loans, grants and subsidies. Industrial estates as a tool of rapid and balanced economic development, occupy a prominent place in the scheme of planned growth in India. These estates are expected to foster the growth of small scale industries, help in rural industrialisation, and decentralisation of industrial location. Therefore, increasingly more funds have been allocated under

successive five year plans for the development of industrial estates. Such allocation of funds increased from Rs. 58 lakhs under the First Five Year Plan to more than Rs. 90 crores in the Eighth Five Year Plan. The programme of industrial estates in India is designed to achieve the following objectives:

(i) To encourage the development of small-scale and medium sized industrial units for balanced regional development;

(ii) To remove concentration or congestion of industries in big cities by facilitating the movement of industrial units to suburban and rural areas;

(iii) To secure decentralisation of industry by diverting new industrial units to underdeveloped regions;

(iv) To encourage the growth of ancillary units in the townships surrounding major industrial undertakings, both in public and private sectors. No developing country has launched such a massive programme of industrial estates as India.

Over the years there has been a remarkable growth in industrial estates. However, a sizeable portion of capacity in industrial estates remains unutilised. Experience reveals that urban industrial estates have been more successful than semi-urban and rural estates. Rural estates have not been much successful due to lack of sound infrastructural facilities. Therefore, efforts should be made to develop sound infrastructure in rural and suburban industrial estates.

Small industry certainly needs a boost through industrial estates. But industrial estates should not simply become a housing colony for small units, irrespective of their merits. Encouraging the small units that do not fit into the nation's needs and the national priorities is pointless. Identification of the product, manufacturing of which results in the promotion of labour - intensive industry and choosing the techniques that help promote the labour - and intensive manufacturing should be the objectives of the industrial estates.

12.7.7 National Small Industries Corporation Ltd. (NSIC):

The National Small Industries Corporation Ltd. (NSIC), an enterprise under the Union Ministry of Industries, was set up in 1955 to promote, and foster the growth of small scale industries in the country. NSIC provides a wide range of services, predominantly promotional in character to small scale industries. Its main functions are:

1. To provide machinery on hire-purchase scheme to small scale industries.
2. To provide equipment leasing facility.
3. To help in export marketing of the products of small scale industries.
4. To develop proto-type of machines and equipments to pass on to small scale industries for commercial production.
5. To distribute basic raw material among small scale industries through raw material depots.
6. To help in the development and upgradation of technology and implementation of modernisation programmes of small scale industries.

7. To impart training in various industrial trades.
8. To undertake the construction of industrial estates.

12.7.8 Small Industries Development Organisation (SIDO):

Small Industries Development Organisation (SIDO) is a subordinate office of the Department of SSI & ARI. It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries. Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management consultancy, industrial investigation, possibilities for development of different types of small scale industries, development of industrial estates, etc. The main functions of SIDO are classified into (i) co-ordination, (ii) industrial development and (iii) extension. These functions are performed through a national network of institutions and associated agencies. All small-scale industries except those falling within the specialised boards and agencies like KVIC, Coir Boards, Central Silk Board, etc. fall under the purview of the SIDO. Following are the main tasks performed by the SIDO in each of its three categories of functions.

Functions Relating to Co-ordination:

- i. To evolve a national policy for the development of small scale industries,
- ii. To co-ordinate the policies and programmes of various State Governments,
- iii. To maintain a proper liaison with the related Central Ministries, Planning commission, State Governments, Financial Institutions, etc., and
- iv. To co-ordinate the programmes for the development of industrial estates.

Functions Relating to Industrial Development:

- i. To reserve items for production by small-scale industries,
- ii. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- iii. To render required support for the development of ancillary units, and
- iv. To encourage small scale industries to actively participate in Government Stores Purchase Programme by giving them necessary guidance, market advice and assistance.

Functions Relating to Extension:

- i. To make provision of technical services for improving technical process, production planning, selecting appropriate machinery, preparing factory layout and design.
- ii. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.

- iii. To render marketing assistance to small-scale industries to effectively sell their products, and
- iv. To provide assistance in economic investigation and information to small scale industries.

12.7.9 Entrepreneurial Guidance Bureau (EGB):

The EGB has, been set up to guide entrepreneurs in identifying investment opportunities, assisting them in selecting locations or the projects, preparing project profiles, assisting them to get financial assistance.

EGB has been supplying information pertaining to the products that offer scope for manufacture, statistical details relating to demand, capacity production, sources of raw materials, types of equipments required, investment involved, sources of finance, etc. Information of procedures pertaining to obtaining letters of intent, import of capital equipment, and export of finished products is also furnished. EGB also renders assistance from banks/financial institutions or for submitting proposals for the letter of intent, etc. EGB also establishes direct contact with engineering graduates, technically qualified personnel and small entrepreneurs to promote entrepreneurship development.

12.7.10 National Alliance of Young Entrepreneurs (NAYE):

National Alliance of Young Entrepreneurs (NAYE) sponsored an Entrepreneurial Development Scheme with Bank of India in August 1972 on pilot basis. This scheme, known as BINEDS, is operative in the States of Punjab, Rajasthan, Himachal Pradesh, Jammu and Kashmir and Union Territories of Chandigarh and Delhi. NAYE entered into similar arrangements with a few other banks as are discussed below.

- 1. Dena Bank - NAYE:** For Promoting ancillary units and small scale enterprises in Madras.
- 2. Punjab National Bank- NAYE:** Entrepreneurship Assistance Programme launched in the States of West Bengal and Bihar in March 1973.
- 3. Central Bank of India - NAYE:** Entrepreneurship Development Programme being implemented in Maharashtra.
- 4. Union Bank of India - NAYE:** Entrepreneurship Development Programme inaugurated in June 1975 in Tamilnadu with an intention to adopt 200 entrepreneurs.

The main objective of the scheme is to help young entrepreneurs in identifying investment and self-employment opportunities; securing proper arrangements for their training including development of their manufacturing capabilities; providing necessary financial assistance on the basis of properly prepared reports; securing package of consultancy services on appropriate terms and arranging for all possible assistance, facilities and incentives being extended to young entrepreneurs by Government and other institutions.

12.7.11 Small Industry Extension Training Institute (SIETI):

SIET entered the field of consultancy on abhoc basis mainly to support the activities of State Governments and development corporations. SIETI's consultancy services have recently become broad-based in terms of both the types of assignments undertaken and area covered. The activities have been operative in Jammu and Kashmir, Karnataka, Nagaland, Meghalaya, Manipur, Assam, Maharashtra and Andhra Pradesh. The assignments in the earlier-years pertained to (1) identification of industrial opportunities, (2) identification of growth centres, (3) preparation of regional development plans, (4) industrial profiles, (5) feasibility studies, (6) organisational development, and (7) designing information system. They now include entrepreneurial development; training and counselling of the educated unemployed; management counselling for sick industrial units; and training of trainers and consultants for entrepreneurial development. Particular attention is given to industrialisation of backward areas.

12.7.12 Khadi and Village Industries Commission (KVIC):

KVIC was set up in 1953. The primary objective of establishing KVIC is to develop Khadi and Village industries and improving rural employment opportunities. Its wide range of activities include training of artisans, extension of assistance for procurement of raw materials, marketing of finished products and arrangement for manufacturing and/ distribution of improved tools, equipment and machinery to producers on concessional terms. KVIC provides assistance to Khadi and Village industries which are characterised by low capital intensity and ideally suited to manufacturing utility goods by using locally available resources. There are about 26 specified-village industries such as processing of cereals and pulses, leather, cottage matches, gur and khandsari, palm gur, non-edible oils and soaps, village pottery, carpentry, gobargas, household aluminium utensils, etc. KVIC's policies and programmes are executed through 30 State Khadi and Village Industries Boards, 2320 institutions registered under the Societies Registration Act, 1960 and about 30,600 Industrial Cooperative Societies registered under State Cooperative Societies Act. Activities involving pioneering types of work, such as developing new industries in hilly, backward and inaccessible areas are undertaken by KVIC directly.

12.7.13 National Institute of Entrepreneurship and Small Business Development (NISEBUD), New Delhi:

It is an apex national level institute of its kind set up at New Delhi in 1983. Its main functions are to coordinate research and training in entrepreneurship development and to impart specialised training to various categories of entrepreneurs. Besides, it also serves as a forum for interaction and exchange of views between various agencies engaged in activities relating to entrepreneurial development.

12.7.14 Technical Consultancy Organisations (TCOs):

A network of Technical Consultancy Organisations (TCOs) was established by the all India financial institutions in the seventies and the eighties in collaboration with state level financial/development institutions and commercial banks to cater to the consultancy needs of small industries and new entrepreneurs. At present, there are 17 TCOs operating in various states, some of them covering more than one state. These 17 TCOs are:

1. Andhra Pradesh Industrial and Technical Consultancy Organisation Ltd. (APITCO).
2. Bihar Industrial and Technical Consultancy Organisation Ltd. (BITCO).
3. Gujarat Industrial and Technical Consultancy Organisation Ltd. (GITCO).
4. Haryana-Delhi Industrial Consultants Ltd. (HARDICON).
5. Himachal Consultancy Organisation Ltd. (HIMCO).
6. Industrial and Technical Consultancy Organisation of Tamil Nadu Ltd. (ITCOT).
7. Jammu and Kashmir Industrial and Technical Consultancy Organisation Ltd. (J&KITCO).
8. Karnataka Industrial and Technical Consultancy Organisation Ltd. (KITCO).
9. Madhya Pradesh Consultancy Organisation Ltd. (MPCON).
10. Maharashtra Industrial and Technical Consultancy Organisation. Ltd. (MITCON).
11. North-Eastern Industrial Consultants Ltd. (NECON).
12. North-Eastern Industrial and Technical Consultancy Organisation Ltd. (NEITCO).
13. North-India Technical Consultancy Organisation Ltd. (NITCON).
14. Orissa Industrial and Technical Consultancy Organisation Ltd. (ORITCON).
15. Rajasthan Consultancy Organisation Ltd. (RAJCON).
16. U.P. Industrial Consultants Ltd. (UPICO).
17. West Bengal Consultancy Organisation Ltd. (WEBCON).

Functions:

Initially, TCOs' functions were focused on pre-investment studies for small and medium scale enterprises. Over the years, they have diversified their functions to include the following:

- a. To prepare project profiles and feasibility profiles.
- b. To undertake industrial potential surveys.
- c. To identify potential entrepreneurs and provide them with technical and management assistance.
- d. To undertake market research and surveys for specific products.
- e. To supervise the project and where necessary, render technical and administrative assistance.
- f. To undertake export consultancy for export-oriented projects based on modern technology.

- g. To conduct entrepreneurship development programmes.
- h. To offer merchant banking services.
- i. A summary view of the progress/performance of TCOs.

12.8 CHECK YOUR PROGRESS: 2

Fill in the blanks:

1. The Government of India constituted a Boardin 1954 to advice on the development of small scale industries in the country.
2. The Small Industries Services Institutes (SISIs) are set up to provideto small entrepreneurs.
3.were established in May 1978 to provide integrated administrative framework at district level for promotion of small-scale industries in rural areas.
4. One of the handicaps faced by small scale industries in India has been the lack ofwith the necessary infrastructure for carrying on their manufacturing operations.
5. NSIC, an enterprise under the Union Ministry of Industries to promote, and foster the growth of small scale industries in the country stands for.....
6.was set up to guide entrepreneurs in identifying investment opportunities, assisting them in selecting locations or the projects, preparing project profiles, assisting them to get financial assistance.

12.9 SUMMARY:

In this chapter we have discussed the meaning of entrepreneur, entrepreneurship. It is widely acknowledged that the field of entrepreneurship lacks a single unified and accepted definition for the term “entrepreneurship”.

The entrepreneurship is very a old concept according to which anyone who runs business is called an entrepreneur. The more precise meaning of entrepreneur is; one who perceives a need and then brings together manpower, material and capital required to meet that need. Governments-both Central and State, have in the past taken a number of measures for the development of small and medium enterprises. Government has set up a number of development institutions to support entrepreneurs.

12.10 GLOSSARY:

- **Barter** Direct exchange of merchandise and/or services between businesses.
- **Business Valuation** An estimate of the worth of a business entity and its assets.
- **Entrepreneur:** A person who organizes, operates, and assumes the risk for a business venture.

- **Inventory:** Finished goods, work in process of manufacture, and raw materials owned by a company.
- **Social entrepreneur:** Someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change.

12. 11 ANSWERS TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

Fill In The Blanks:

1. Entrepreneurship
2. Enterprise
3. gap-fillers
4. spontaneous learning and alertness

CHECK YOUR PROGRESS-2

Fill in the blanks:

1. Small Scale Industries Board
2. Consultancy and training
3. District Industries Centres
4. Well-developed space.
5. National Small Industries Corporation Ltd.
6. Entrepreneurial Guidance Bureau

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12.13 SUGGESTED READING:

1. Dynamics of entrepreneurship development management: Vasant Desai
2. Entrepreneurship development: S S Kanka
3. Entrepreneurship Development: S Taneja. And S L Gupta
4. Fundamentals of Entrepreneurship: S K Mohanty

12.14 TERMINAL QUESTIONS:

1. Describe the institutional set up for entrepreneurial development in India.
2. Explain the various competing theories of entrepreneurship. What is the significance of these theories?
3. Discuss the need for institutional support to small-scale industries.
4. Discuss the support provided by the National Small Industries Corporation Ltd. (NSIC) to small-scale industries in the country.
5. What are the functions performed by the Small Industries Development Corporation (SIDCO) to boost the growth of small-scale industries in the country?
6. Describe the role that State Small Industries Development Corporations (SSIDC) play in developing small enterprises in the country.
7. What are District Industries Centres (DICs)? Explain the functions of the DICs?

UNIT 13: ENTREPRENEURIAL BEHAVIOURS AND ENTREPRENEURIAL MOTIVATION; INNOVATION AND ENTREPRENEURSHIP

STRUCTURE

- 13.1 Introduction
- 13.2 Objectives
- 13.3 Meaning of Entrepreneurship Behaviour
- 13.4 Check Your Progress 1
- 13.5 Entrepreneurial Motivation
- 13.6 Theories of Motivation
- 13.7 Innovation and Entrepreneurship
- 13.8 Answers to check your progress 1 & 2
- 13.9 Summary
- 13.10 Glossary
- 13.10 Answers to Check Your Progress
- 13.11 References
- 13.12 Suggested Readings
- 13.13 Terminal Questions

13.1 INTRODUCTION:

You are already aware of the roles and functions that the entrepreneurs play in relation to the process of economic development and in relation to the enterprise. In the previous chapter, you have learnt about various Theories of Entrepreneurship given by different peoples and followed in today's era. Institutional Role in the Entrepreneurship Development at central level, state level, and at district level. Governments - both Central and State, have in the past taken a number of measures for the development of small and medium enterprises. Government has set up a number of development institutions to support entrepreneurs. It is hoped that after reading this chapter you will actually see the potential of a career in entrepreneurship, and experience a desire to start a venture of your own.

13.2 OBJECTIVES:

After studying this unit, you will be able to:

1. Describe entrepreneurship behaviour.
2. Define Entrepreneurial Motivation.

3. Describe various theories of motivation.
4. Describe how innovation can help an entrepreneur.

13.3 MEANING OF ENTREPRENEURSHIP BEHAVIOUR:

Entrepreneurship is the process of wealth creation and individuals referred to as entrepreneurs create this wealth by being innovative operating competitive businesses. They assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product may not be new or unique, but entrepreneurs add value into it to make it more competitive.

A preference for changing the status quo over maintaining it based on relatively greater satisfaction generated by novel information over redundant information. Entrepreneurial behaviour underlies the inclination to undertake invention and innovation, including the creation of something new as well as the distribution and adoption of the new throughout society. It is the behaviour most likely exhibited by entrepreneurship. An alternative is managerial behaviour, which is a preference for maintaining the status quo over changing it.

Entrepreneurial behavioural is one of two behavioural alternatives underlying the desire to undertake innovations and to change the status quo. The other is managerial behaviour. Entrepreneurial behaviour embraces innovation, is motivated to seek changes in the status quo, and draws satisfaction from institutional changes. In contrast, managerial behavior is a preference for maintaining the status quo.

The underlying source of entrepreneurial behaviour is a relative preference for novel information over redundant information. Both types of information are important to the fight or flight response to a threat. Novel information reveals potential threats that result in automatic physiological responses, which is more satisfying to some than it is to others.

Entrepreneurial behaviour is a preference for innovation and a change in existing institutions and the status quo. It can be as simple as the willingness to buy a new electronic gadget or as involved as rebelling against the existing political regime and starting a new nation. It often surfaces in the form of an entrepreneur undertaking the risk of organizing production and launching a new business venture.

13.3.1 Fight or Flight:

An understanding of entrepreneurial behaviour requires a look at the fundamental, physiological response to potential threat, what is called fight or flight. The human body automatically prepares itself to fight off a potential threat to flee away from it. Respiration increases, pupils dilate, brain wave activity increases, adrenalin is pumped through the body, heart rate increases. The human body is primed and ready to recognize the threat and to respond.

The key to this automatic response is achieved by distinguishing between what's new and different and what's old and familiar. The old and familiar is less threatening than the new and different. The human brain sorts between two different types of information that comes through the five senses (sight, hearing, touch, taste, and smell), attempting to discern the potential for danger -- novel information and redundant information.

- i. **Novel:** This is new information. An unusual sight. A strange sound. An unexpected touch. A bizarre taste. An uncommon smell. The human brain takes immediate note of this information. Because it is unfamiliar, it might be threatening. This is information that needs to be identified quickly. It needs to stand out from the ordinary and familiar. A self-preservation reaction (fight or flight) might be needed.
- ii. **Redundant:** This is familiar information. A common sight. A routine sound. An ordinary touch. A recognized taste. An everyday smell. The human brain is wired to largely ignore this information. Because it is familiar, it is not threatening. It is the background canvas upon which novel information is displayed.

Redundant and novel information are both intrinsically satisfying. A little bit of excitement is satisfying (think a roller coaster ride). But so too is a little bit of peace and quiet (think resting after a hectic vacation). However, nothing but redundant information is incredibly boring and not particularly satisfying. And nothing but novel information is anxiety inducing, and also not very satisfying. Too much of one or the other is not a pleasant situation. A combination of the two is most enjoyable. It can maximize satisfaction.

However, different people have different preferences over the proper mix of novel and redundant information. Some prefer relatively more new and less old. Others prefer relatively more old and less new.

These individual differences give rise to entrepreneurial and managerial behaviour. Those who prefer relatively more redundant information and relatively less novel information tend to pursue managerial behaviour. Others who prefer relatively more novel information and relatively less redundant information tend to pursue entrepreneurial (and innovative) behaviour.

13.3.2 A Preference for Change:

Entrepreneurial behaviour is a preference for changing the status quo over maintaining it. Entrepreneurial types embrace innovation. A change in institutions generates satisfaction for the entrepreneurially inclined. Keeping things structured and orderly is not nearly as satisfying. Entrepreneurial behaviour has a relative preference for novel information over redundant information. Entrepreneurial behaviour surfaces in a number of ways throughout society:

- i. **Entrepreneurship:** One notable manifestation of entrepreneurial behaviour is entrepreneurship, the scarce resource that undertakes the risk of

organizing production. In many cases, not all but many, entrepreneurs are motivated by the desire to produce something new, to change the status quo. Entrepreneurship might be engaged in the innovation of a new product. It might be utilizing a different method of production or marketing. However, it's also possible that the entrepreneur is doing nothing more than launching a new business to sell an existing product using existing production techniques. Nothing new, nothing novel, no change in the status quo.

- ii. Innovation:** Entrepreneurial behaviour is also key to innovation, the process of applying and disseminating new products, ideas, and institutional changes throughout society. The entrepreneurial desire for change goes hand in hand with the innovation process. It's seen both with those who initially launch the innovations (the sellers) as well as those who are first to adopt the innovations (the buyers). Both sides need the inclination to change the status quo to be part of the innovation process.
- iii. Invention and Creation:** The starting point for most innovation is invention, the act of creating the something new. The invention is perhaps the purest form of entrepreneurial behaviour. Creating something new just for the sake of creating something new. The act of invention includes the standard creation of a new product (think a device that automatically ties your shoe strings), as well as the creation of a new idea, scientific theory, painting, poem, song, novel, computer program, or video game. Many artists, writers, musicians, and computer programmers have a strong entrepreneurial inclination.
- iv. Fashion Trendsetters:** Another common example of entrepreneurial behaviour is those at the forefront of the latest fashions and fads. Trendsetters are commonly motivated by the desire for change, the need to be different, the inclination to break away from the status quo. The fashion in question is not just clothing, but also includes home furnishings, automobiles, electronic gadgets, and entertainment, to name a few.
- v. Political Revolution:** Changes in existing social and political orders are perhaps among the most historical manifestations of entrepreneurial behaviour. The creation of the United States in the late 1700s is a prime example. So too is the Russian revolution of the early 1900s. The revolutionaries behind both, and many others, exhibited a significant amount of entrepreneurial behaviour.
- vi. Life:** Entrepreneurial behaviour also surfaces in assorted nonspecific actions that make up daily life. The desire to periodically take a new route to work is an example. Another is the compunction to rearrange furniture. A third example is to occasionally try a different restaurant or sample a new cuisine. The changes can be seemingly trivial parts of an otherwise unchanging status quo life.

13.3.3 The Managerial Alternative:

The alternative to entrepreneurial behaviour is managerial behaviour. Managerial behaviour is a preference for maintaining the status quo over changing it. Managerial types resist innovation. A change in institutions does not generate satisfaction. On the contrary, satisfaction is best achieved from keeping things structured and orderly. Managerial behaviour displays a relative preference for redundant information over novel information.

This behavioural alternative is well suited for keeping an existing business running smoothly and efficiently. As the name suggests, managerial types are inclined to manage, to administer, to apply existing rules and procedures. They are not absolutely opposed to change, but the change needs to be orderly and within the rules.

While managerial behaviour is not conducive to creating an invention or launching an innovation throughout society, once the innovation has taken hold and becomes part of the fabric of society, it takes hold. It promotes the now "old" innovation, getting the most benefit possible. Those who are managerial inclined might not favour product innovations (new products), but process innovations (new ways of making existing products) are acceptable.

13.3.5 A Continuum:

Like much of life, the inclination toward managerial or entrepreneurial behaviour is seldom one or the other. Most people have a combination of each and few exhibit either in the extreme or in all aspects of their lives. One person might be entrepreneurial in business, but managerial at home. Another person might be just the opposite. Each might fulfil the desire for in one activity, and then be satisfy with the status quo in other activities.

13.4 CHECK YOUR PROGRESS: 1

Fill in The Blanks:

1. The product may not be....., but entrepreneurs add value into it to make it more competitive.
2. is a preference for innovation and a change in existing institutions and the status quo.
3. The entrepreneurial desire for change goes hand in hand with the process.
4. are commonly motivated by the desire for change.

13.5 ENTREPRENEURIAL MOTIVATION:

According to McFarland. "Motivation refers to the way in which urges drives. Desires, strivings, aspirations or needs direct control or explain the behaviour of human beings". Thus motivation may be defined as the process that motivates a person into action and induces him to follow the course of action till the goals are finally achieved.

Motivation has close relationship with the behaviour of human beings. It explains how and why the human behaviour is caused. MacFarland considers the terms used in his definition in general sense as forms of tension occurring within individuals, with resulting behaviour aimed at reducing, eliminating or diverting the tension. Understanding the needs and drives and their resulting tensions helps to explain and predict human behaviour, ultimately providing a sound basis for managerial decision and action. According to Vasant Desai motivation consists of three elements and these are.

(i) The urges, drives, desires, aspirations, strivings or needs of human beings influence human behaviour.

(ii) The factors influencing human behaviour are psychological, sociological economic or managerial.

(iii) The efficiency of such behaviour may be tested by the resultant action. Whether this behaviour has directed, controlled or implemented the desired action.

A motivated entrepreneur will bring about the requisite action for the satisfaction of desired goal. The unsatisfied needs are the starting point in the motivation process. The unsatisfied need result in tension within the individual and motivate him to search for ways to relieve the tension. He sets certain goals for himself. If he is successful in achieving the goals, certain other needs will emerge which will lead to setting a new goal. On the other hand if the goal is not achieved the individual will engage himself in either constructive or destructive behaviour. This process never stops and keeps on working within an individual. Motivation thus, includes motives behaviour and goals and relationship.

13.5.1 Definition:

Various Definitions of motive and motivation are:

According to **Bernard and Steiner** "A motive is an inner state that energises, activates or moves and that directs behaviour towards goals."

According to **D.D. Eisenhower**, "Motivation is getting people to do. What you want them to do, because they want to do it".

According to **C.B. Memoria** "A willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organisation".

According to **Vitales** "Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to make a goal directed pattern towards restoring a state of equilibrium by satisfying the need".

13.5.2 Nature of Motivation:

Based on above definitions the following points of nature of motivation emerge:

1. Motivation refers to internal feelings of an individual or individual's motives.
2. These emotions, feelings or desires of a person prompt him to work more.

3. Unsatisfied needs of an individual disturb his equilibrium, forcing an individual to resort to a goal directed approach.
4. Motivation activates and channelises dormant energies of an individual towards productive action.
5. Motivation is linked to satisfaction. Satisfaction is the feeling of contentment a person experiences out of need fulfilment.
6. An individual is motivated in totality and not in parts.

13.5.3 Types of Motivation:

In order to extract more out of his subordinates a manager will be required to motivate them for performing better. This can be done either by offering them reward for more work or by instilling fear amongst them in the form of punishment. Motivation can be of two types and these are.

- i. **Positive Motivation:** Workers are tempted to put in their best for achieving the desired objectives. These temptations, rewards or incentives can be in the shape of extra pay, promotion, recognition etc. Positive motivation will result in willing cooperation workers for the attainment of organisational goals.
- ii. **Negative Motivation:** Negative motivation creates fear or deterrent amongst workers. Fear forces workers to behave in the way the owner wants them to behave.

Workers are coerced to behave in a certain manner, failing which they are threatened with layoffs, demotions, pay cuts etc. Workers work not willingly but out of fear. Out of the two Positive motivations should be preferred as it leads to willing rather than forced cooperation of workers towards the realisation of organisational goals.

13.5.5 Importance of Motivation:

Motivation is necessary for performance. Management tries to utilise various factors of production, at its disposal, in the best possible manner for achieving the desired goals. Efforts of management will bear fruits only when employees are motivated to put in their best. Motivation has become all the more important due to the following reasons.

- i. **Improved Morale:** Motivation acts as morale booster for employees. Motivated workers are tempted to put in their best for the realisation of organisational goals. High morale will result in more interest in work and higher productivity. It will enable the organisation to produce more at lower costs. It will have overall positive impact on the interests of the various parties linked with the business.
- ii. **Lower labour turnover:** Motivated employees will never feel like leaving the organisation and as such the firm will be able to utilise the services of trained committed and loyal workers for longer period of time. Organisation will be saved from the botheration of making fresh,

recruitment, selection, training and placement of workers Lower labour turnover will result in saving of time, effort and money of the organisation. Rate of absenteeism will be reduced and workers will try to promote organisational interests.

- iii. **Improved goodwill:** Motivated employees can help the organisation in improving its goodwill or image. A reputed organisation is in a position to attract best possible talent from the market. Existing employees won't leave the organisation and outsiders will be keen to join.
- iv. **Cordial Industrial Relations:** A sound motivational system will promote job satisfaction amongst workers. Workers will start identifying their interests with the interests of organisation due to positive motivation. The feeling of distrust, conflict or clash of interest will be removed amongst motivated workers. There won't be any strikes or lockout in the organisation and motivation will ensure cordial industrial relations.
- v. **Quality Orientation:** A motivated employee is generally more quality oriented. Ever gone from bottom to top or top to bottom takes extra care while performing the assigned work. It leads to overall improvement in the working and people start recognising the organisation as a quality conscious organisation.
- vi. **Acceptability of Change:** An organisation is required to remain in touch with the changing scenario and at the same time take effective steps for making adjustments according to changes. Its survival and future depends upon its ability to cope up with the changes. Motivated employees rather than opposing changes welcome these. They help the owners in converting these changes into opportunities to be exploited in the best possible manner for the promotion of business interests.

13.6 THEORIES OF MOTIVATION:

Need is the starting point of motivation. A satisfied need does not motivate an individual. It is only the unsatisfied need which creates tension and stimulates drives within the individuals for the satisfaction of the need and reduction of tension. The efforts or actions initiated by the individual will yield results which will lead to satisfaction of need or removal of tension. Classical theorists and scientific management thinkers were of the opinion that people were mainly interested in maximising economic gains as they were primarily concerned with satisfying their basic needs of food, water, air, shelter etc. Thus they tried to link up performance and productivity with monetary rewards or incentives.

F.W. Taylor, father of Scientific Management proposed Differential Piece rate system for motivating workers to work at their level best. The traditional thinkers were mainly concerned with the monetary reward and were treating human beings as mere machines, which do not have any inner feelings or emotions.

Under **Hawthorne Experiments** it was proved that there was no direct relationship between productivity and economic rewards. Money is an essential condition but not a sufficient one for motivating people to work. Human beings are not machines and they have also social and psychological needs.

Various researchers are actively engaged in finding answer to one basic question i.e. what motivates people? or what makes them work? Various theories have been propounded by different experts to focus attention on this basic issue. Prominent and relatively more relevant to entrepreneurship are as under:-

13.6.1. Maslow's Need Hierarchy Theory:

Maslow's theory is based on human needs. He developed a conceptual framework for understanding human motivation. He was of the opinion that every individual has a complex set of exceptionally strong needs and the behaviour of an individual at a particular moment of time is usually determined by his strongest need. He defined a person's effectiveness as a function of matching man's opportunity with the appropriate position of hierarchy of needs. Process of motivation begins with the assumption that the behaviour, atleast in part, is directed towards the achievement or the satisfaction of needs. Maslow felt that the 'needs have a definite sequence of domination' Second need does not dominate till first need is reasonably satisfied and third need does not dominate until first two needs have been reasonably satisfied. Man is never fully satisfied, if one need is satisfied the other will arise and so on. Once a need or certain order of needs is satisfied, it ceases to be a motivating factor. Maslow stated that human beings have five basic levels of needs, which they tend to satisfy in a hierarchical manner. He proposed that human needs can be arranged in a particular order from the lower level needs to the highest level needs. These five needs can be discussed as follows:

(i) Physiological Needs: These needs are basic and are related to survival and maintenance of life. These needs comprise of food water, air, shelter, clothing and _ necessities of life. The first priority of human beings is to acquire these basic necessities of life and then move to second level of needs.

(ii) Safety and Security Needs: After satisfying physiological needs, human beings aim at satisfying safety and security needs. Human beings are not content with just satisfying present physiological needs, they want to make provision for the same for future also. They want job security, personal body security, security of source of income, provision for old age, insurance against risks etc. Entrepreneurs just like other human beings are guided by all these factors.

(iii) Social Needs: Man is a social animal and wants to belong to a social group where his social and emotional needs for love, affection, warmth and friendship are satisfied. An entrepreneur too is interested in conversation, exchange of feelings and grievances with fellow entrepreneurs, his employees

and others. He wants to belong to others and expects that others should belong to him i.e. the feeling of belongingness.

(iv) Esteem Needs: These needs include self respect, self confidence, recognition appreciation, prestige, power & control. These are also known as egoistic needs and affect prestige and status of individuals. Entrepreneurs derive status and respect through their ownership and control over their business.

(v) Self-actualisation or Self fulfilment needs: This is the ultimate goal and involves realising one's potentialities for continued self development. After other needs are fulfilled a man has the desire for personal achievement. He wants to do something which is challenging and since this challenge gives him enough push and initiative to work. It is beneficial to him and the society. The sense of achievement gives him psychological satisfaction. An entrepreneur can achieve self actualisation in being a successful entrepreneur.

Though the impulse to realise one's potential is natural and necessary, only a few usually the gifted ever do so. Maslow himself estimated that less than one percent of the people realise the need for self actualisation. Maslow states three reasons for it.

- (i)** People are invariably blind to their own potentialities.
- (ii)** Social environment often stifles development towards self fulfilment.
- (iii)** The strong negative influence is exercised by the safety needs. The growth process demands a constant willingness to take risks, make mistakes and to break old habits. All these result in breaking the safety barriers.

Maslow's need hierarchy has been highly appreciated. Maslow felt that the needs have a definite sequence of domination. Second need does not dominate until first need is reasonably satisfied and third need does not dominate until first two have been reasonably satisfied and so on. The other side of the need hierarchy is that man is a wanting animal, he continues to aspire for something or the other. He is never fully satisfied. If one need is satisfied the other arises.

Maslow stated that needs arise in certain order of preference and not randomly. Thus if one's lower level needs (physiological and security) are unsatisfied, he can be motivated by satisfying only his lower level needs and not his higher level needs. Another conclusion is that once a need or a certain order of needs is satisfied, it ceases to be motivating factor. The physiological and security needs are finite, but the needs of higher order are sufficiently infinite and are likely to be dominant in persons at higher levels in the organisation.

Maslow, however, admits that his hierarchy of needs is not as rigid as he may have implied. There have been a number of exceptions and these are.

- (i)** For some people self esteem seems to be more important than love. They may be deprived of their lower level needs and yet may strive for self actualisation needs. Certain people may attach more importance to esteem needs than social needs.

(ii) Some creative people, though lacking in basic needs, may attain self actualisation.

(iii) Need and satisfaction of need is a psychological feeling. Sometimes a person may not be aware of his own needs.

(iv) There are many other determinants of behaviour other than needs and desires. Thus the behaviour of a person may not be wholly linked with his needs and desires.

Despite its limitations the Maslow theory offers guidelines for understanding and moulding human behaviour.

For the development of entrepreneurship last three in the hierarchy i.e. social, esteem and self actualisation are more important.

13.6.2 McClelland's Three Need Model:

According to David McClelland, "a person acquires three types of needs as a result of one's life experience. He tends to develop certain motivational drives as a result of his interaction with the environment in which he lives. There three needs

i. Need for achievement: It is a drive to excel advance and grow. This refers to one's desire to achieve something with own efforts. People with a high need for achievement derive satisfaction from achieving goals. These people are often wealthy and their wealth comes from their ability to achieve goals. High achievers want immediate feedback on their performance and they generally undertake tasks of moderate difficulty rather than those which are either very easy or very difficult. These people prefer to work independently so that successful task performance can be linked to their own efforts rather than to someone else's. **McClelland** and his associates made specific suggestions for the development of achievement need and these are.

- a) Give employees periodic feedback on performance. This will provide information that will enable them to modify or correct their performance.
- b) Provide good models of achievement. Employees who are successful should be made available for others to emulate.
- c) Arrange tasks so that employees can pursue moderate challenges and responsibilities. Avoid tasks that are either very difficult or very easy.
- d) As much as possible employees should be able to control their own destiny and imagination. They should be trained to think realistically and positively about how they will accomplish goals.

ii. Need for power: A drive to influence others and situations. It refers to one's desire to influence and dominate others through use of authority. Achievement of goals is less important than the means by which goals are achieved. **Alfred Adler** was leading advocate of power motive. He propounded the concept of inferiority complex and compensation. According to him the individual's life style is characterised by striving to compensate for the feeling of inferiority which are combined with innate drive for power. As such there arises

need to manipulate others or there is drive for superiority over others. McClelland and his associates have found that people with high power need have a great concern for exercising influence and control. Such types of people generally seek positions of leadership and are forceful, outspoken, hard headed and demanding.

iii. Need for affiliation: A drive for friendly and close interpersonal relationships. It refers to one's desire to establish and maintain friendly relationship with others. People with affiliation need derive satisfaction from social and inter personal activities. Affiliation plays a very vital role in human behaviour. McClelland has suggested that people with high need for affiliation usually derive pleasure from being loved and tend to avoid pain of being rejected. These individuals are concerned with maintaining pleasant social relationship, enjoying a sense of intimacy and understanding and enjoy assisting or helping others in trouble.

People possess the above needs in varying degrees and these needs may be simultaneously acting on an individual, In case of Entrepreneurs need for achievement is more dominating. McClelland is of the opinion that people with high need for achievement are characterised by the following:

- (i) They set moderate, realistic and attainable goals for them.
- (ii) They take calculated risks and look for challenging tasks.
- (iii) They prefer situations where in they can take personal responsibility for solving problems.
- (iv) They need concrete feedback on how well they are doing.
- (v) Their need for achievement exists not merely for the sake of economic rewards or social recognition rather personal accomplishment is intrinsically more satisfying to them.

As a result of his extensive research in various cultures, McClelland has been able to establish the desirability of high need for achievement for entrepreneurial success in the economic development of a country, but the demands of managerial success are somewhat different. A manager instead of being a doer himself has to get the things done and therefore team work is needed.

A manager cannot perform all the tasks himself. Managerial success calls for a goal directed group efforts. But if a manager is fired with achievement motive, he is at times, unable to delegate effectively. Managers concern for maintaining good interpersonal relationships makes them focus more on the happiness of their subordinates than work performance. Various researches have proved that the most successful managers combine power orientation, especially institutionalised power with achievement orientation for leading both more productive and more satisfied employees or subordinates. In studies of over 500 managers it was concluded that the most effective managers have a high need for power, a moderate need for achievement and a low need for affiliation. These managers have a tendency to use their power in a participative manner for the good of the organisation. People with high needs for both power

and achievement have high managerial motivation, but they are not the best managers.

McClelland theory is not free from criticism. Firstly the critics question whether motives can be taught to adults: Psychological literature points out that acquisition of motives normally occurs in childhood and it is very difficult to change once it has been established. McClelland on the other hand states that there is strong evidence to indicate from politics and religion that adult behaviour can be moulded or drastically altered in a relatively short time. Another point of criticism of this theory is the contention that the, needs are permanently acquired. McClelland states that needs can be socially changed through education or training whereas the critics say that the change may be only temporary.

In spite of these controversies McClelland theory highlights the importance of matching the individual and the job. People with high achievement needs thrive on work that is challenging, satisfying, stimulating and complex.

On the other hand people with low achievement needs prefer situations of stability, security and predictability. They respond better to considerate than to impersonal high pressure supervision and look to work place and co-workers for social satisfaction.

McClelland has also highlighted the fact that managers can to some extent raise the achievement need level of subordinates by creating the proper work environment, permitting their subordinates a measure of independence, increasing responsibility and autonomy, gradually making tasks more challenging, praising and rewarding better performance. Thus it can be concluded that McClelland theory has numerous practical implications.

13.6.3. Alderfer's ERG Theory:

Clayton Alderfer reformulated Maslow's need hierarchy theory. According to Alderfer, Maslow's five levels of needs can be regrouped under three heads namely *Existence, Relatedness and Growth (ERG)*.

- i. **Existence Needs:** These existences needs combine the physiological and safety needs of Maslow. These existence needs can be satisfied by material or financial incentives and include survival needs, physical & psychological safety etc.
- ii. **Relatedness Needs:** These include Maslow's social and esteem needs, which are derived from other people. These needs are satisfied by personal relations & social interactions.
- iii. **Growth Needs:** These include Maslow's self actualisation needs. These needs will be satisfied only if an individual involves himself in activities of the organisation and is always on the lookout for new challenges and opportunities. Through creative efforts individual can realise his potential by making best use of the available opportunities.

For the proper development of entrepreneurship, Relatedness and Growth needs are more important. Alderfer theory assumes that different types of

needs can operate simultaneously whereas Maslow's Theory follows a rigid need hierarchical order.

Very little research exists on the ERG theory of motivation. Still there seems to be some support for the theory over the need priority model or the two factor theory of motivation. ERG theory seems to take some of the strong points of the earlier theories, but is less restricting and limiting.

Besides disagreement over the exact number of categories of needs persist. Satisfying needs is an important part of motivating employees. If a manager finds that a subordinate's growth needs are blocked, for whatever reasons, he may attempt to redirect employees' behaviour towards satisfying relatedness or growth needs.

13.6.4 The Motivating Factors:

Several studies have been undertaken to identify the factors that motivate people to start their own enterprises. P.N. Sharma has identified nine motivating factors which are as under

1. Educational background.
2. Occupational experience.
3. Desire to do work independently.
4. Desire to branch out to manufacturing.
5. Family background.
6. Assistance from government.
7. Assistance from financial institutions.
8. Availability of technology/raw material.
9. Other factors demand of the particular product, utilisation of excess money earned from contractual estate business started manufacturing to facilitate trading/distribution business since the product was in short supply, unstable policy of the foreign government for non residents and no chance for further promotion.

The above nine factors were grouped into two major categories—internal and external. First five motivating factors were termed as internal and the last four factors as external. The internal motivating factors like education, occupational experience, family background, the desire to do something independently together make the personality of the entrepreneur. These factors generate an inclination to adopt entrepreneurial activity. The presence of internal factor is a necessary condition for the entrepreneurial activity to take place. But entrepreneurial ideas cannot fructify or take real shape without a proper or conducive environment which provides support in terms of financial assistance, technology and raw material and infrastructural facilities. These facilities form external motivating factors and serve as a spark in igniting the entrepreneurial idea. These factors give a boost to the entrepreneurial activities.

The study by P.N. Sharma revealed occupational experience as the most significant internal motivating factor. This experience was accumulated by

entrepreneurs either as business executives in industrial concern or as traders/merchants, consultants etc. in the related fields. Occupational experience shows that the entrepreneur had knowledge about the product, industry and technology applied before promoting the present unit. Moreover occupational experience provides confidence to the entrepreneurs which help reduce the element of uncertainty regarding demand of the product, technology, raw material etc. Technically and professionally qualified entrepreneurs had established enterprises in the fields of their specialisation which amply proves that they were prompted by their qualification or specialisation to initiate industrial activity. Desire to work independently in manufacturing line was another motivating factor. There were certain other persons desirous of changing their occupation as they were of the opinion that there is greater respect in manufacturing. Assistance from financial institutions and the government has emerged as the most important external motivating factor. Most of the entrepreneurs believe that their projects would not have seen light of the day in the absence of adequate financial assistance, infrastructural facilities etc. Availability of appropriate technology either from indigenous sources or from foreign collaboration can be another motivating factor for a few entrepreneurs.

13.7 INNOVATION AND ENTREPRENEURSHIP:

Wikipedia defines innovation as simply, “a new way of doing something.” It may refer to incremental, radical and revolutionary changes in thinking, products, processes or organizations. A distinction is typically made between invention, an idea made manifest, and innovation, ideas applied successfully.

Governments around the world see innovative entrepreneurship as the key component to robust economic growth and have pledged to shape their public policies accordingly. The creation of technology-based start-ups is emerging as the bedrock of economic growth and better living standards around the world, as countries shift from an industrial to an information age. Promoting innovative entrepreneurship is thus a central concern for policy makers.

Innovative entrepreneurship is becoming the cornerstone of economic growth in the developed world. It is the source of jobs and high living standards for individuals, as well as great benefits for society in the form of technical progress and economic development.

As the industrial age gathered steam, government supported business and broader society through new infrastructure: railroads, electrification, telephony, media, aviation, etc. Sometimes, it was done through public utilities or regulation; other times through favourable laws or financial subsidies. The result was economic growth. And the commercial firms that cropped up at this time embodied the same sort of big-is-beautiful ethos: vertically-integrated structures that vied for market dominance; hierarchical management to oversee the human capital. Innovation catalyzes entrepreneurship by providing ideas that can be converted into wealth (through goods and services). Innovation helps reveal

market opportunities for entrepreneurship to develop and flourish. Innovations are not limited to those involving high-end technology alone. Any new idea that generates commercial value is by itself the spur for a new entrepreneur to plan a venture. Innovation and Entrepreneurship is a two-way relationship. In one sense, in innovation, someone finds something but that somebody may not be equipped to translate that something into a commercial proposition. That is where entrepreneurship comes in.

13.7.1 Features of innovation:

- i. Innovations are the harbingers of change.
- ii. Innovations can take place at the spark of light or can take a generation of experiments.
- iii. Innovations can be both revolutionary as well as an extension to the existing products.
- iv. Innovations provide a USP to a business.
- v. Innovations are action oriented i.e. active and searching new ideas.
- vi. Innovations help in making the product, services or process simple and understandable.
- vii. Innovations help in making the product, services or process customer based.
- viii. Innovations is all about trying, testing and revising.
- ix. Thus Innovations refers to a process of creation of a product that can solve existing problems or tap opportunities.

13.7.2 Sources of Innovations:

- i. Present and potential customer
- ii. Existing companies
- iii. Raw material provider
- iv. Distributors and retailers
- v. Research and development
- vi. Existing employees

Innovation and problem solving capabilities are expected to be the core of the entrepreneurial capability of an entrepreneur the vast majority of entrepreneurs studied were characterised by sensation-thinking problem solving styles. Such individuals were shown to be short-term oriented dealing with immediate problems. Entrepreneurs are faced with a number of challenges as they try to implement new ideas “innovation is one of the activities is most active during periods of upheaval: economic, social, or political. This is usually when traditional systems and ways of doing business are no longer affective. Those who survive the changes will be the businesses that act entrepreneurially.

13.8. CHECK YOUR PROGRESS: 2

Fill In The Blanks:

1.refers to the way in which urges drives. Desires, strivings, aspirations or needs direct control or explain the behaviour of human beings.
2. Maslow's theory is based on.....
3. Three need model is given by.....
4. ERG theory is given by.....
5.is simply a new way of doing something.

13.9 SUMMARY:

An entrepreneur is a creative person. Need for self actualisation as manifested in the need for achievement forces him to create something new a new product, a new way of doing things, a new source of raw material, a new market etc. Human behaviour is goal directed or is directed towards satisfaction of needs. Whenever a person feels any need, he feels uneasy and tension starts building in his mind. This tension provokes him to initiate some action which may lead to the satisfaction of the need. If that need is not satisfied that individual is required to resort to some alternate action for the satisfaction of the need.

Motivation may be defined as the process that provokes a person into action and induces him to follow the course of action till the goals are finally achieved. Unsatisfied need creates tension and stimulate within the individual for the satisfaction of need and reduction of tension. Various theories of motivation more relevant to entrepreneurship are given by Maslow's Need Hierarchy Theory, McClelland. Three Need Model, Alderfer's ERG Theory.

In this chapter you have studied about entrepreneurship behaviour and how it effects a decision of an entrepreneur. How motivation can lifts an entrepreneur's decision in achieving its goals.

13.10 GLOSSARY:

- **Behaviour Modification:** A type of behavioural therapy in which the principles of Operant Conditioning (reinforcement, punishments, etc.) are used to eliminate some type of unwanted, maladaptive, behaviour.
- **Idea:** A new, creative approach to specifically addressing a perceived opportunity (a need, want, problem or challenge).
- **Innovation:** The use of a new technology, item, or process to change what goods and services are provided, the way they are produced, or the way they are distributed.
- **Invention:** The creation of a new technology, item, or process, as opposed to its application in widespread use.
- **Opportunity:** A need, want, problem, or challenge that can potentially be addressed by an entrepreneurial idea and an entrepreneurial venture.

- **Self-motivation:** A person may be naturally gifted or intellectual and yet may find himself as consistently **unmotivated** to do something about his life.
- **Situational leadership:** This view of leadership emphasizes the interaction between the leadership style of an individual and the features of the environment he or she is operating in.
- **Venture:** Any initiative that entails the mobilization of resources to establish a good, service, program, and so forth to address needs, wants, problems, and challenges.

13.11 ANSWERS TO CHECK YOUR PROGRESS:

CHECK YOUR PROGRESS-1

Fill in the blanks:

1. New or unique.
2. Entrepreneurial behaviour.
3. Innovation.
4. Trendsetters.

CHECK YOUR PROGRESS-2

Fill in the blanks:

1. Motivation
2. human needs
3. David McClelland
4. Clayton Alderfer
5. Innovation

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1. Dynamics of entrepreneurship development management: Vasant Desai
2. Entrepreneurship development: S S Kanka
3. Entrepreneurship and economic development: J.V.Prabhakara
4. Fundamentals of Entrepreneurship: S K Mohanty

13.13 TERMINAL QUESTIONS

1. Write short notes on the following:
 - i. Entrepreneurial Behaviour.
 - ii. Motivation.
 - iii. Physiological and Safety needs.
2. What is entrepreneurial Motivation? Discuss.
3. What do you mean by achievement motivation? How can it be developed?
4. "Entrepreneurial behaviour is the result of interaction of several internal and external factors." Comment.
5. Discuss briefly various theories of motivation.
6. Explain in detail how innovation helps entrepreneurs.

**BLOCK 4:
DEVELOPMENT OF TOURISM
ENTREPRENEURSHIP**

UNIT 14: ESTABLISHING ENTREPRENEUR SYSTEM: SEARCH FOR BUSINESS IDEA; SOURCES OF IDEAS, IDEA PROCESSING AND PREPARATION OF BUSINESS PLAN

STRUCTURE

- 14.1 Introduction
- 14.2 Objectives
- 14.3 Business Ideas Concept
- 14.4 Source of Idea Generation
- 14.5 Idea Processing
- 14.6 Check Your Progress 1
- 14.7 Develop a Business Plan
- 14.8 What Financers / Lenders / Investors Look For In a Business Plan?
- 14.9 Tourism as an Entrepreneurship Venture
- 14.10 Check Your Progress 2
- 14.11 Summary
- 14.12 Glossary
- 14.13 Answers to Check Your Progress 1 & 2
- 14.14 Reference
- 14.15 Further Reading
- 14.16 Terminal Questions

14.1 INTRODUCTION:

Once an individual decides to take up entrepreneurship as a career path, to be a job provider instead of a job seeker, he has to establish an enterprise. It is very important to take utmost care in identifying the product or service to be launched by the entrepreneur otherwise it might prove to be a very costly affair. An entrepreneur must develop sensitivity to changes around him, which can provide business opportunities and then carefully scan his environment to generate ideas. After initially temporarily searching for four to five ideas he should go in for detailed assessment and feasibility study. This will help him to crystallise one idea in an objective and systematic manner, which will greatly enhance his chances of success as an entrepreneur.

14.2 OBJECTIVES:

After studying this unit, you will be able to explain:

- The source of ideas that an entrepreneur can use to start a new venture.
- How a business plans is established.
- The essentials of business plans.
- What is required by financiers in financing a new venture?

14.3 BUSINESS IDEAS CONCEPT:

To set up an enterprise the entrepreneur has to undergo the entrepreneurial experience. Once having done that, he has to concentrate on the management of his business. The entrepreneurial experience begins with the idea for starting a new venture. The idea has to be sifted and refined so that he can identify a new product or service to be produced or offered. Usually there is a triggering factor, which makes the entrepreneur take the plunge to start his business. However one has to systematically make a business plan and study the feasibility of the proposed venture before doing so.

14.4 SOURCE OF IDEA GENERATION:

The starting point for any successful new venture is the basic product/service to be offered. This idea can be either generated internally or externally .For a new entrepreneur it becomes very difficult to filter information from the business environment, identify opportunities, evaluate them and then crystallise one specific idea. Developing a hobby, difficulty in obtaining a satisfactory product or service, evaluating new products being offered in the market and active engagement in Research and Development can help in generating a number of ideas. A reading of the Economic Times, business magazines, watching special business programmes on the television, discussions with professionals, friends, even teachers, surfing the internet all help to provide valuable inputs. A study of government policies for example tax incentives and holidays for setting up projects in backward area can help an entrepreneur to arrive at some decision. Attending an Entrepreneurial Development Programme can provide him with a sound understanding of all the steps one has to take to initiate and run a venture. Business consultants can also help him to identify a product or service and develop a business plan.

The sources of idea generation are listed below:

1. Formal sources includes:

- Banks,
- Govt. Agencies,
- EDPs,
- Business Consultants,
- Trade Meets,
- Exhibitions.

2. Informal sources include personal and others.

a. Personal sources includes :

- Family,
- Friends,
- Colleagues.

b. Other sources includes:

- Newspapers,
- Magazines,
- Books,
- Journals,
- Catalogues,
- Internet.

Once the idea or group of ideas is generated it has to be screened or evaluated to determine whether it is appropriate for further development or not. Ideas showing the most potential are subjected to a feasibility analysis and a Project Appraisal is then made.

14.5 IDEA PROCESSING:

Once business ideas are discovered, screening and testing of these ideas is done. The following considerations are significant in the evaluation & testing of business ideas. A number of ideas and solutions are generated depending upon the personal knowledge, experience, insight etc. of the potential entrepreneur. Each idea that is generated is verified to test its usefulness, and application.

14.6 CHECK YOUR PROGRESS 1:

Fill in the Blanks:

1. To set up an enterprisethe entrepreneur has to undergo the entrepreneurial experience.
2. One has to systematically make aand study the feasibility of the proposed venture before doing so.
3. The starting point for any successful new venture is the basicto be offered.
4. Can also help him to identify a product or service and develop a business plan.

14.7 DEVELOP A BUSINESS PLAN:

Smart entrepreneurs recognize that every business plan is unique and must be tailor-made. They avoid the off-the-shelf, “cookie-cutter” approach that produces look-alike plans. The elements of a business plan may be standard, but the way entrepreneurs tell their stories should be unique and reflect their enthusiasm for the new venture. If this is a first attempt at writing a business plan, it may be very helpful to seek the advice of individuals with experience in this process. Any entrepreneur who is in business or is about to launch a business needs a well conceived and factually based business plan to increase

the likelihood of success. Initially, the prospect of writing a business plan may appear to be overwhelming. Many entrepreneurs would rather launch their companies and “see what happens” than invest the necessary time and energy defining and researching their target markets, defining their strategies, and mapping out their finances. After all, building a plan is hard work! However, it is hard work that pays many dividends, not all of which are immediately apparent. Entrepreneurs who invest their time and energy in building plans are better prepared to face the hostile environment in which their companies will compete than those who do not. Many entrepreneurs never take the time to develop plans for their businesses; unfortunately, the implications of the lack of planning are all too evident in the high failure rates that small companies experience.

A good business plan must be developed in order to exploit the defined opportunity. This is a very time-consuming phase of the entrepreneurial process. An entrepreneur usually has not prepared a business plan before and does not have the resources available to do a good job. A good business plan is essential to developing the opportunity and determining the resources required, obtaining those resources, and successfully managing the resulting venture.

A comprehensive business plan is crucial for a start-up business. It defines the entrepreneur’s vision and serves as the firm’s resume. A business plan can help an entrepreneur to allocate resources appropriately, handle unexpected problems, and make good business decisions.

A well-organized plan is an essential part of any loan application. It should specify how the business would repay any borrowed money. The entrepreneur also should take into account all start-up expenses and potential risks so as not to appear immature.

14.7.1 General Guidelines for writing plan:

As much as your plan represents your dream and is very important to you, it may not be as high on the agendas of the people who read it. When you sit down to write your plan, think of who will be reading it and put yourself into their shoes as much as possible. In most cases, the people who will read your plan are going to be potential investors, bankers, and/or potential partners. Your readers have likely seen dozens, and perhaps even hundreds, of plans. These people do not often have a great deal of time, so prepare your plan accordingly. In general you should:

- Write the plan yourself. Get help if you need it, but do not let your accountant, bookkeeper, or other professional write your plan for you. You may let them help you with the financial plan, for example, but you need to know your plan inside and out-and the best way to ensure that is to write it yourself.
- Back up every claim you make with supporting evidence. Include surveys and detailed market research as an addendum or appendix to your plan.
- Write clearly and to the point, keeping your prose to a minimum.

- Avoid hyperbole: don't overstate your case. Similarly, avoid unnecessary adjectives such as "fantastic," "amazing," "astounding," "irresistible," and so on. Let the reader form his or her own opinion.
- Ensure that your writing is error-free and edited for proper form and syntax.
- Choose a simple, common font such as Times New Roman, and stick with it throughout the document.
- Bind the pages simply. Cerlox or its equivalent is likely sufficient.
- Use professionally produced drawings, photographs, and graphs. Unless you are a professional, your own attempts at art will look amateurish. The same is true for videos, if you're using them, or a computer-based demo.
- Make sure you include your contact information right on the cover. This is one of the most common mistakes entrepreneurs make.

It should use good visual formatting, such as bulleted lists and short paragraphs. The language should be free of terminology and easy to understand. The tone should be business-like and enthusiastic. It should be strong on facts in order to convince people to invest money or time in the new venture. The basic elements of a standard business plan include.

14.7.2 Elements of the business plan:

The basic elements of a standard business plan include:.

1. Title Page
2. Table of Contents
3. Executive Summary
4. Your Planned Venture
5. Market Research
6. Background and History
7. Management Team
8. Start-up Plan
9. Operational Plan
10. Marketing Plan
11. Financial Plan
12. Appendix

1. Executive Summary: This is by far the most important part of your plan. It should be no more than two pages in length, or less. State the idea, the opportunity, how much money you need, where you hope to get it, how it will be spent, and how you will pay it back. Readers who are interested may then go on to read the rest of your plan. Be warned, if your executive summary is more than three pages long, it will likely not be read.

2. Your Planned Venture: Describe your idea as clearly as possible, with diagrams, photographs or any other medium necessary to communicate it to the reader. Back up the idea with a description of the target market, tell why the opportunity exists, and why your idea will capture that market.

- 3. Market Research:** Explain how you determined the product or service was appropriate to the market. Include explanations of the "four P's" (price, product, promotion, and placement).
- 4. Background and History:** Tell who you are, what experience and skills you bring to this venture, and whether or not you've run your own businesses in the past. Describe and explain their successes or failures. Include your own, short, biography here. The company description highlights the entrepreneur's dream, strategy, and goals.
- 5. Management Team:** Provide the names, and short bios, of the people you will use to fill the key positions in the business.
- 6. Start-up Plan:** Tell when and where you plan to start the business and why you chose this time frame and location.
- 7. Operational Plan:** Describe, in detail, how your business will operate. Include diagrams of production or service areas if appropriate.
- 8. Marketing Plan:** Describe, in detail, how you will attract customers or clients and how you will deliver your product or service to them.
- 9. Financial Plan:** Provide a detailed financial plan, including a cash-flow projection, that accounts for the money you will need (borrow) and the repayment plan and return on investment to investors.
- 10. Appendix:** Include your own and your team's detailed biographies here as well as additional market research and any other information that is too detailed to be included in the body of the plan.

Writing a business plan may seem overwhelming. However, there are ways to make the process more manageable. First, there are many computer software packages for producing a standard business plan. Numerous books on entrepreneurship have detailed instructions, and many universities sponsor programs for new businesses. It should use good visual formatting, such as bulleted lists and short paragraphs. The language should be free of jargon and easy to understand. The tone should be business - like and enthusiastic. It should be strong on facts in order to convince people to invest money or time in the new venture.

14.8 WHAT FINANCERS / LENDERS / INVESTORS LOOK FOR IN A BUSINESS PLAN?

Banks usually are not a new venture's sole source of capital because a bank's return is limited by the interest rate it negotiates, but its risk could be the entire amount of the loan if the new business fails. Once a business is operational and has established a financial track record, however, banks become a regular source of financing.

For this reason the small business owner needs to be aware of the criteria lenders and investors use when evaluating the creditworthiness of entrepreneurs seeking financing.

14.8.1 Capital:

A small business must have a stable capital base before any lender is willing to grant a loan. Otherwise the lender would be making, in effect, a capital investment in the business. Most banks refuse to make loans that are capital investments because the potential for return on the investment is limited strictly to the interest on the loan, and the potential loss would probably exceed the reward. In fact, the most common reasons that banks give for rejecting small business loan applications are undercapitalization and too much debt. Financers' Lenders and investors see capital as a risk sharing strategy with entrepreneurs.

14.8.2 Flow of cash:

Lenders and investors must be convinced of the firm's ability to meet its regular financial obligations and to repay loans, and that takes cash. It is possible for a company to be showing a profit and still have no cash that is, to be technically bankrupt. Lenders expect small businesses to pass the test of liquidity, especially for short-term loans. Potential financiers/ lenders/ investors examine closely a small company's cash flow position to decide whether it has the capacity necessary to survive until it can sustain itself.

14.8.3 Collateral security:

Collateral security includes any assets an entrepreneur pledges to a financiers/ lender as security for repayment of a loan. If the company defaults on the loan, the lender has the right to sell the collateral and use the proceeds to satisfy the loan. Typically, banks make very few unsecured loans (those not backed by collateral) to business start-ups. Bankers view the entrepreneurs' willingness to pledge collateral (personal or business assets) as an indication of their dedication to making the venture a success. A sound business plan can improve a banker's attitude toward a venture.

14.8.4 Character:

Before extending a loan to or making an investment in a small business, lenders and investors must be satisfied with an entrepreneur's character. The evaluation of character frequently is based on intangible factors such as honesty, integrity, competence, polish, determination, intelligence, and ability. Although the qualities judged are abstract, this evaluation plays a critical role in the decision to put money into a business or not.

Lenders and investors know that most small businesses fail because of incompetent management, and they try to avoid extending loans to high-risk entrepreneurs. A solid business plan and a polished presentation by the entrepreneur can go far in convincing the banker of the owner's capability.

14.8.5 Conditions:

The conditions surrounding a funding request also affect an entrepreneur's chances of receiving financing. Lenders and investors consider

factors relating to a business's operation such as potential growth in the market, competition, location, strengths, weaknesses, opportunities, and threats. Again, the best way to provide this relevant information is in a business plan. Another important condition influencing the banker's decision is the shape of the overall economy, including interest rate levels, inflation rate, and demand for money. Although these factors are beyond an entrepreneur's control, they still are an important component in a banker's decision.

14.9 TOURISM AS AN ENTREPRENEURSHIP VENTURES:

Tourism is amongst the fastest growing industries the world over, highest foreign exchange earning sectors for India and offers tremendous opportunity for entrepreneurship and employment. It includes any business connected with the activities of tourists: -

- Travel arrangement (rail, road, air or sea)
- Accommodation (hotels, motels, guest houses)
- Food
- Entertainment

Apart from the potential in providing these direct services, tourists use many indirect services also for example they hire taxis for local site seeing, buy all kind of souvenirs, they need guides and interpreters. There is an acute shortage of service providers in all these areas. The Commonwealth Games to be hosted by India in the year 2010 and cricket world cup hosted by India Pakistan, Sri Lanka and Bangladesh in the year 2011. In a developing industry like tourism there is no dearth of entrepreneurial opportunities. However, one has to be a keen observer of the customer's tastes, needs and choices i.e. full profiling of the tourists and the intermediary agencies has to be undertaken.

14.10 CHECK YOUR PROGRESS 2:

Fill in the blanks

1. Smart entrepreneurs recognize that every business plan is unique and must be.....
2. A good..... must be developed in order to exploit the defined opportunity
3. Describe, in detail, how your business will operate.
4. Explains how entrepreneur determined the product or service was appropriate for the market.
5. Includes any assets an entrepreneur pledges to a financiers / lender as security for repayment of a loan.
6. In a developing industry like there is no dearth of entrepreneurial opportunities.

14.11 SUMMARY:

The process of setting up a venture begins with searching for an opportunity. Identifying a good opportunity is a difficult task and involves scanning the environment and the use of creativity and innovation. The process involves both market identification as well as product/service identification. Rarely can one hit upon an idea straight away. One has to be very sensitive to the changes in the business environment. Although there is no guarantee of success when launching a business, the best way to insure against failure is create a business plan. A good plan serves as an entrepreneurial strategic compass that keeps a business on course as it travels into an uncertain future. In addition, a solid plan is essential to raising the capital needed to start a business; lenders and investors demand it. It is absolutely essential for the business plan to be built on facts and realistic assumptions.

14.12 GLOSSARY:

- **Asset:** Anything of worth that is owned by the business. The assets of a business are money in the bank, accounts receivable, securities held in the name of the business.
- **Capital:** This has several meanings, but usually refers to the amount of money in the business belonging to the owner.
- **Cash flow:** A detailed outline of estimates for the receipt of revenue and the payments to be made over a period of time such as six months to a year.
- **Demand:** The combined desire, ability and willingness on the part of individuals to acquire or make use of a good or service.
- **Idea:** A new, creative approach to specifically addressing a perceived opportunity.
- **Opportunity:** A need, want, problem, or challenge that can potentially be addressed by an entrepreneurial idea and an entrepreneurial venture.
- **Risk:** The likelihood of undesirable, unforeseen, or uncontrollable events occurring.

14.13 ANSWERS TO CHECK YOUR PROGRESS1 & 2:

CHECK YOUR PROGRESS-1

1. Enterprise
2. Business plan
3. Product/service
4. Business consultants

CHECK YOUR PROGRESS-2

1. Tailor-made
2. Business plan
3. Operational Plan
4. Market Research

5. Collateral security
6. Tourism

14.14 REFERENCE:

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14.15 SUGGESTED READING:

- Entrepreneur Development: Gupta S.L
- Essentials of Entrepreneurship & Small Business Management: Zimmerman, T.W., Scarborough N.M
- Entrepreneurship & Small Business Management: Gupta C.B., Khanka S.S.
- Entrepreneurship, Strategies and Resources: Dollinger,

14.16 TERMINAL QUESTIONS:

1. What are the different sources of idea generation? Explain in detail the primary and secondary sources.
2. Why a business plan is developed?

3. What are different guidelines and elements of business plan?
4. What investors look before investing in new entrepreneurial venture?
5. Describe different business ventures available in tourism sector.

UNIT 15: INPUT REQUIREMENTS – MONEY, MEN, MACHINE, MATERIAL, SPACE AND TIME FRAME

STRUCTURE

- 15.1 Introduction
- 15.2 Objectives
- 15.3 Meaning of Input Requirement
- 15.4 Financial Assistance
- 15.5 Managing Your Materials Requirements
- 15.6 Human Resource Management (Men)
- 15.7 Timing for the Launch of Product
- 15.8 Availability of Land
- 15.9 Buy the Necessary Equipments
- 15.9 Check Your Progress
- 15.10 Summary
- 15.11 Glossary
- 15.12 Answers to Check Your Progress
- 15.13 Suggested readings
- 15.14 Reference
- 15.15 Terminal Questions

15.1 INTRODUCTION:

In the previous chapters you have studied about the establishing entrepreneur system: search for business idea; sources of ideas, idea processing and preparation of business plan, and how all these activities are going to help an entrepreneur in maximizing the profit and achieve his goals. In this chapter you will be going to learn what are the inputs required by an entrepreneur and how to arrange these inputs to achieve the desired result.

15.2 OBJECTIVES:

After studying this unit, you will be able to define various inputs required by an entrepreneur like:

1. Finance or money
2. Human resource or men
3. Material
4. Space and time frame.

15.3 MEANING OF INPUT REQUIREMENT:

Input requirement means what are the essentials required by an entrepreneur to establish an entrepreneurial venture and how to manage these inputs to achieve maximum profit and desired goals. The following major inputs are required for setting up an entrepreneur venture:

- Financial assistance
- Land, building or shed
- Machinery and equipments
- Raw Materials
- Power and Water
- Skilled manpower

15.3.1 Projects suitable for non-technical and inexperienced entrepreneurs:

There are many projects, which are suitable for non-technical and inexperienced entrepreneurs. Skilled manpower and technical personnel can be hired according to needs.

Entrepreneurs can also join special short term training programmes. MSMEI's, DIC's, NSIC etc. provide intensive consultancy to such first generation entrepreneurs.

15.3.2 New entrepreneur compete with the existing manufacturers:

A prospective entrepreneur can take the advantage of opting for the latest technology and production process and operate at higher volume of operation. This leads to reduced production cost and production of quality goods and services. A new entrepreneur can thus provide improved quality goods and services at lower cost and further tap the market with innovative marketing approach.

15.4 FINANCIAL ASSISTANCE:

15.4.1 Agencies providing financial assistance:

Financial assistance is available from institutions such as Nationalised Banks, Small Industries Development Bank of India, Regional Rural Banks, National Small Industries Corporation, State Financial Corporations etc. depending upon the project requirement and promoters background. Financial assistance has two components. Loan for fixed capital is used to acquire Plant and Machinery, land and building. Working capital loan is used to meet day to day operational cost of the production.

State Financial Corporation and National Small Industries Corporation generally provide working capital. However under package assistance, State Financial Corporations also provide a composite loan covering plant and machinery and working capital.

15.4.2 Choose the most suitable source of funding:

Any of the financial institutions can be approached to get funds keeping in view their specific schemes. Evaluate and compare the terms and conditions, including rate of interest and repayment period of loan offered by the different financial institutions. Select the financial institution, which offers funds at minimum interest rate as per your repayment plan to suit your project. Choose the Institution which is in close proximity to the project site if other terms and conditions are similar.

15.4.3 Eligibility criteria for getting a loan:

The major eligibility criteria are return on the investment and profitability of the project proposed to be set up. Any financial institution will support the project if repayment is assured.

15.3.4 Money required by the entrepreneur to invest out of his own resources:

Some portion of total investment has to be contributed by the Entrepreneur out of own sources. This is called margin money. Financial Institutions insist on 10 to 25 per cent margin money depending upon the category of the entrepreneur, risk factor and existing scheme under which the project will be financed.

15.4.5 What if an entrepreneur does not have any money of his own?

It is simple. One can arrange for loan for margin money under the scheme being operated by the State Commissioner / Directorate of Industries or SBI. But this scheme is generally offered to professionally qualified entrepreneurs. Alternately you may have to prune down the size of your project in tune with available margin money. The financial institutions will prefer to support an entrepreneur, who is willing to put his/her own stake to some extent.

15.4.6 Procedure for getting a loan:

An entrepreneur should approach the concerned financial institution viz. State Financial Corporation, NSIC, Bank branches etc. Application in prescribed performa has to be submitted along with project report including proof of ownership/availability of land/building, proof of residence, collateral securities (wherever applicable) etc. The loan is given by the institution if the application meets the norms.

15.4.7 Can the loan be used to cover all types of investment in the project?

The amount of loan can be used to cover all types of investment required in the project, such as machinery & equipment, and working capital, land and building. The lending agency for each component of loan may be same or different.

15.4.8 Agency for funding the land and building costs:

The Banks and State Financial Corporations offer assistance for land/building/shed to certain extent. However, some qualifying parameters have been laid down by these institutions. In addition, Housing Development Corporation also provides funds for land /building.

15.4.9 General conditions for availing financial assistance:

The general conditions for getting financial assistance are:

- Eligibility criteria
- Technical /Economic viability
- Promoters contribution
- Capacity to repay loan
- Collateral securities / guarantee

15.5 MANAGING YOUR MATERIALS REQUIREMENT:

The importance of raw materials in establishing any industrial activity needs no emphasis. In the absence of raw materials, neither an enterprise can be up and nor an entrepreneur can be emerged.

A raw material or feedstock is the basic material from which a good product is manufactured or made, frequently used with an extended meaning. For example, the term is used to denote material that came from nature and is in an unprocessed or minimally processed state.

With the advent of technology, manufacturing entrepreneurs have found themselves in stiffer competitive grounds competing in terms of reduced costs and better quality. One cost item that companies continuously try to reduce its inventory cost. Several manufacturing techniques have been introduced to address this, one of which is the concept Materials Requirements Planning (MRP). The implementation of MRP became popular in the 1970s and the 1980s and is slowly being implemented by manufacturing companies even in the developing countries. Recent developments showed even the possibility of implementing this side by side with the Just-in-Time manufacturing philosophy.

15.6 HUMAN RESOURCE MANAGEMENT:

If you will need to hire employees apart from yourself and other owner/operators, then describe what your personnel needs will be. Have job descriptions (including job responsibilities and authorities, compensation, and qualifications) for relevant positions, and describe how you will find and manage the right people. It is not possible in a book of this type to detail the different features of successful personnel management, but an outline of the principles on which an owner or manager can provide fair and reasonable working conditions for staff is described below.

One aim of a manager should be to ensure that all staff understand the nature of the business and are active in working towards its success. This is

particularly important in relation to quality assurance (below) which requires all staff to agree quality management procedures and as individuals, to routinely monitor product quality.

If it is accepted that most people wish to have the following aspects in their job, the manager can arrange work to meet these needs:

- a reasonable wage
- security of employment
- a feeling of belonging to the company
- respect for their skills and knowledge
- good relationships with other staff
- opportunity to develop new capabilities
- reasonable working conditions.

The level of salaries that are paid to processing staff in the majority of small enterprises is usually slightly higher than equivalent work in the Public Sector, to take account of the lack of job security compared to government jobs. However, in many areas where there is substantial unemployment, wage levels are forced down. While any entrepreneur may wish to reduce production costs as much as possible, paying staff below the market rate for a particular job is short-sighted. Trained and experienced process workers are an asset to a small enterprise because they are able to produce products efficiently and to a consistently high quality with minimum supervision. If salaries are too low, workers will seek alternative employment as soon as the opportunity arises, and the expenditure on training and developing their skills will be lost.

The terms and conditions under which staff are employed vary widely in developing countries and in many cases they are employed on a casual basis with no formal contracts or even letters of appointment. In small enterprises, this situation is not likely to change unless governments or other agencies press for changes. However, it is in the entrepreneurs' own interests to create a working environment in which staff members feel that they have security of employment, because they are then more likely to actively work to improve and develop the business. One example of the way that staff feelings of belonging to and sharing in a business could be encouraged is a simple outline of the benefits that they can expect in terms of breaks for meals, amount of pay for sickness or holidays, terms under which absence from work is acceptable (for example for bereavement) etc.

The majority of people wish to have their skills and knowledge recognised and to be able to develop these further in their work. Managers of small enterprises have the opportunity to know the relatively few staff better than in large companies and it is their responsibility to find out what are the skills and aspirations of each worker. Again, it is in the managers' own interests to do this because each worker's skills can then be used most effectively for the benefit of the enterprise. In practice, this may mean allocating specific areas of responsibility, such as record keeping, labelling of products, raw material

inspection etc. to those staff that have an aptitude for that type of work. However, it is also necessary to train staff in every aspect of production, regardless of their main area of expertise. When all staff knows how to do every job in a production unit, there are opportunities for people to do different work during the day leading to greater job satisfaction and greater flexibility in job allocation to cover for staff absences.

The entrepreneur or manager is responsible for providing reasonable working conditions for employees. This is covered by law in some countries, although it may be infrequently enforced. As a minimum, the requirements for hand washing and toilet facilities should be met for both workers' benefits and to maintain hygienic production. Preparation tables should be high enough for staff to work comfortably and where repetitive work is carried out for long periods, as for example in manual packaging and labelling, seats and good lighting should be provided. The owner may also consider providing a rest area with cold water and seating, to prevent workers sitting on stocks of packaging or finished product as the only comfortable place to take a break. These benefits are important to retain experienced staff and contribute to the overall efficiency of production.

15.7 TIMING FOR THE LAUNCH OF PRODUCT:

Market opportunities tend to fluctuate, meaning that a new service or product may have a specific window of opportunity in which to build market share. Releasing a product prematurely can mean a lack of consumer demand, while waiting too long can result in an excess of competition with more well-established brands. Identifying an opportune time to launch can thus mean the difference between a flourishing new product and a quickly forgotten one.

Although it may seem advantageous to be the first to market with a new product, it's also important to evaluate what can be gained by waiting.

The optimal time of entry depends on the hostility of the learning environment since the latter has an impact on dimensions of performance, such as profit potential and mortality risk.

In other words, waiting can allow an entrepreneur to learn about market conditions by observing the performance of other products, but it also carries the risk of losing certain competitive advantages. It is better to wait in non-hostile learning environments in which "the information to be learned is abundant and when learning from others is relatively more effective at increasing performance than learning from participation.

If you enter early, you are more of a pioneer. You can have a competitive advantage. If you cannot do any of this, then it may not be a good strategy, because there is always a cost to being a pioneer.

15.8 AVAILABILITY OF LAND:

The Government is committed to provide international standard infrastructure and facilities in the industrial areas and estates managed by the

Industrial Area Development Authorities. Existing infrastructure shall be upgraded and maintained efficiently. Supporting facilities in these industrial areas in terms of access to information, transportation linkages, housing facilities, telecommunication, health, education, sports etc. would further be strengthened and new facilities wherever required would be provided.

Steps would be taken to revamp the Industrial Area Development Authorities and bring them under unified control to ensure uniform application of procedures, facilities and benefits to the entrepreneurs.

Land / Sheds in growth centres, Industrial areas, etc. would be allotted to entrepreneurs for setting their industrial units on lease of 30 years on annual rent with the facility of renewal. The rent payable for land so allotted would be subjected to revision. The land/sheds allotted for the purpose of setting up of Industrial unit shall not be allowed to be used for any other purpose other than the purpose for which the land has been leased. It would also be ensured that land is allotted as per the actual requirement.

Waste land / Degraded forest land may be made available by the State Government on long term lease basis after taking prior approval from the Government of India under section '2' of Forest (Conservation) Act, 1980 wherever required, for plantation development / tourism purposes which will encourage forest based / tourism industries.

15.9 BUY THE NECESSARY EQUIPMENTS:

Only standard office equipment is needed. A computer with internet connection, a fax machine, and at least two telephones. Proper use of information technology saves time, reduces costs and thus contributes to the profitability of the agency. Having trained staff for operating them and regular maintenance of the equipment are other managerial tasks. Not only should this but the staff be trained for maintaining records (Activity Report) of the messages and notes thus exchanged.

Tourism in today's world is a very big economic and social activity, generating a large amount of income, employment and foreign currency and investment opportunities.

Though, currently, the developed nations are getting the lion's share of the benefit of tourism, there is a promising future for the developing nations also. The paramount use of IT in tourism business activity by itself does not mean anything, unless it advances the idea of human development. It should contribute to the overall development of a country.

15.10 CHECK YOUR PROGRESS:

Fill in the blank:

1. Skilled manpower and technicalcan be hired according to needs.
2.is available from institutions such as Nationalised Banks, Small Industries Development Bank of India, Regional Rural Banks.

3. The financial institutions will prefer to support a....., who is willing to put his / her own stake to some extent.
4. Aim of a manager should be to ensure that all understand the nature of the business and are active in working towards its success.
5. The entrepreneur or manager is responsible for providing reasonable working conditions for.....
6. an opportune time to launch can thus mean the difference between a flourishing new product.

15.11 SUMMARY:

There are so many institutes and organizations which are involved in entrepreneurship development activities and there are people who join these programmes as a stepping stone to become entrepreneur. An entrepreneur is one who manages all the resources to match with the organizational needs. In the managerial role resources are allocated to solve problems and improve the administrative efficiency. Once the promoter is convinced of the feasibility and profitability of the project he assembles the necessary resources to launch the enterprise. He has to choose partners/collaborates, collect the required finance and acquire land and building, plant and machinery, furniture and fixtures, patents, employees etc. decision have to made about the size , location and layout etc of the enterprise. The form of ownership organisation has to select. In this chapter you had studied about the various inputs required by an entrepreneur to make his venture profitable and achieve desired goals.

15.12 GLOSSARY:

- **Capital:** Fixed capital: machinery, technology, buildings + Working capital: i.e. stocks of raw materials and components
- **Labour:** Workers employed directly in the car industry; engineers, designers, paint sprayers, testers, management staff, transport & distribution workers etc.
- **Land:** Natural resources used in manufacturer, land for plant and equipment
- **Travel Agent:** A person that helps businesses and individuals find and process tickets, plans, and information on travel destinations.

15.13 ANSWERS TO CHECK YOUR PROGRESS

Fill in the blanks:

1. Personnel
2. Financial assistance
3. Entrepreneur
4. Staff
5. Employees
6. Identifying

15.14 SUGGESTED READINGS:

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- Entrepreneurship development: S S Kanka
- Entrepreneurship and economic development: J.V.Prabhakara
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15.16 TERMINAL QUESTIONS:

1. What are various inputs required by an entrepreneur?
2. Explain in detail what are various ways of getting finances by an entrepreneur?
3. Describe the importance of managing material and available human resource?
4. Why is it necessary for an entrepreneur to launch a product on time? Explain.
5. Why it is necessary for an entrepreneur have sufficient land and office equipment to survive in the market?

UNIT 16: PROJECT FEASIBILITY RESEARCH

STRUCTURE

- 16.1 Introduction
- 16.2 Objectives
- 16.3 Project Feasibility Concept
- 16.4 Project Pre-Feasibility Assessment
- 16.5 Market Feasibility
- 16.6 Financial Feasibility
- 16.7 Technical Feasibility
- 16.8 Environmental Feasibility
- 16.9 Economic Feasibility
- 16.10 Legal and Administrative
- 16.11 Check Your Progress
- 16.12 Summary
- 16.13 Glossary
- 16.14 Answers to Check Your Progress
- 16.15 Reference
- 16.16 Suggested Readings
- 16.17 Terminal Questions

16.1 INTRODUCTION:

In this unit we will discuss the context and mechanics of conducting feasibility studies for projects. The process of setting up a business is preceded by the decision to choose entrepreneurship as a career and identification of promising business ideas upon a careful examination of the entrepreneurial opportunities. Generation of ideas is not enough; the business ideas must stand the scrutiny from techno-economic, financial and legal perspectives. Some investment proposals pass through the stage of checking out the feasibility. Large projects usually need a feasibility test to be carried out before a handsome amount is committed.

16.2 OBJECTIVES:

After studying this unit, you will be able to:

- Understand what is meant by feasibility studies in the context of selection & evaluation of projects

- Explain in general how feasibility studies are conducted, and what parameters are considered
- Define market feasibility, financial feasibility, and technical feasibility.
- Define environmental, economic and legal feasibilities of the projects.

16.3 PROJECT FEASIBILITY CONCEPT:

Project feasibility is a test where the prima facie viability of the investment is evaluated. Evaluation is based on secondary but comprehensive data. Rough estimates based on others' experience form the basis of the viability check in the project feasibility report. There are basically three types of feasibilities evaluated in the project feasibility report, namely, (a) market feasibility, (b) technical feasibility, and (c) financial feasibility. When projects are evaluated by government or government agencies, economic and social feasibility is also considered. Market feasibility is carried out in detail at this stage. Technical feasibility and financial feasibility are less emphasised at this stage.

16.4 PROJECT PRE-FEASIBILITY ASSESSMENT:

Having identified projects and opportunities, undertaken a brief assessment and determined a list of priority projects, the next stage is to undertake a pre-feasibility assessment of each project to see if it will stack up.

A pre-feasibility assessment is an action that could be included in the organisation's Operational Plan to be completed during the year. Some components of pre-feasibility assessment will generally be outside the expertise of the organisation.

For each project all available information should be gathered into a standard layout project document template. Information consolidated for each project would typically include:

- Project title.
- Description - outlining the intent of the project.
- Rationale - local context.
- Project type/linkages - broader context.
- Resources required - skills, finance, and knowledge.
- Benefits/effects - economic, social, environmental.
- Limitations/risks- economic, political.
- Potential implementation task force.

Through this process some projects may appear to be unfeasible or unrealistic. In this case they should be shelved in favour of more feasible or realistic projects. The output will be a series of project information sheets used for internal/external action planning or could be made available to prospective investors. In some cases this will result in investment attraction briefs and marketing material, whilst others may result in an internal signoff that the project is viable and worth pursuing.

16.5 MARKET FEASIBILITY:

Products whose sales potential is high are less risky to invest in. A market feasibility study aims at assessing the sales potential of a proposed product. The approach for conducting market feasibility study will vary depending upon the type of proposed product. In the case of a novel product idea (a product a novel, if the same or similar product or not available in the market anywhere in the world), the market feasibility check has to be based on creative judgement and wishful thinking. At the most, indicators of buyer behaviour (in terms of their response to 'new' or 'dream' product) are taken into account for estimating the potential demand for the product.

If a proposed product is new in an economy, but has been successfully marketed in some other economy, then its market feasibility assessed through a meaningful comparison of some broad economic and cultural indicators in the two economies. Each economy is likely to experience an almost identical buying pattern and preference for products, if the economic indicators are comparable. Cultural differences should be adjusted before drawing conclusions about the demand potential. The per-capita incomes, income disparity levels, the pattern indicating shifts in choice for consumption, literacy levels and other economic factors can indicate the potential of demand for a particular proposed product.

If the proposed project is for an addition to the capacity existing in the economy, then the task of the market feasibility study will be different. A historical data analysis and study of factors, which influence consumption trends, become essential in such cases.

A market, whether a place or not, is the arena for interaction among buyers and sellers. From seller's point of view, market analysis is primarily concerned with the aggregate demand of the proposed product/service in future and the market share expected to be captured. Success of the proposed project clearly hinges on the continuing support of the customers. However, it is very difficult to identify the market for one's product/service. After all, the whole universe cannot be your market. You have to carefully segment the market according to some criteria such as geographic scope, demographic and psychological profile of the potential customers etc. It is a study of knowing who all comprise your customers, for this you require information on:

- Consumption trends.
- Past and present supply position.
- Production possibilities and constraints.
- Imports and Exports.
- Competition.
- Cost structure.
- Elasticity of demand.
- Consumer behaviour, intentions, motivations, attitudes, preferences and requirements.
- Distribution channels and marketing policies in use.

- Administrative, technical and legal constraints impinging on the marketing of the product.

16.6 FINANCIAL FEASIBILITY:

Demand and price estimates are derived from the market feasibility study. Project costs and operating costs are derived from the technical feasibility study. The estimates need to be supplemented with (a) tax implications depending upon the prevailing tax laws, and (b) financial costs emanating from the financing alternative are considered for the project. That provides enough information for the financial bottom-line of the project. The financial feasibility check involves a detailed financial analysis. The financial analysis includes quite a few assumptions, workings and calculations. Some are briefly described below:

1) Projections are made for prices of products, the cost of various resources required for manufacturing goods, and capacity utilisation. Use of the thumb rule or actual data of some comparable projects are generally included in the estimates.

2) The period of estimation is determined, and the value of the project at the terminal period of estimation is forecast. The period of estimation should be justified by factors like the product life cycle, business cycle, ability to forecast, period of debt funds, etc.

3) Financing alternatives are considered and a tentative choice of financing mix is made together with assumptions regarding the cost of funds and repayment schedules.

4) Basic workings are shown in different statements. Some of the schedules made for this purpose include,

- a) An interest and repayment schedule
- b) The working capital schedule
- c) The working capital loan, interest and repayment schedule
- d) The depreciation schedule for income tax purposes
- e) The depreciation schedule for the purpose of reporting under Companies Act, 1956 (if depreciation policy is different than income tax rules).

5) Some financial statements are prepared in the project feasibility report. They include,

- a) Profit and Loss accounts of the company
- b) Balance-Sheets of the company
- c) Cash Flow statements for the proposed project

6) Financial indicators are calculated using data derived in various financial statements. Two basic financial parameters are used for judging the viability of the project:

- a) Debt-service coverage ratio (DSCR)
- b) Net present value (NPV) or internal rate of return (IRR).

The objective of financial analysis is to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden

of servicing debt and whether the proposed project will satisfy the return expectations of those who provide the capital.

16.7 TECHNICAL FEASIBILITY:

Various factors are analysed in checking the technical feasibility of a proposed project. They are listed below;

- 1) Availability of commercially exploited technology and its alternatives.
- 2) The translatability of technology into the local environment. The suitability of the technology involved must be assessed in the light of the available quality of material, quality of power, skilled personnel, atmospheric conditions, quality of water and other factors.
- 3) Technological innovation rate in the product.
- 4) Production processes.
- 5) Capacity utilization rate and its justification.
- 6) Availability of raw material and other resources like power, gas water, compressed air, labour, etc.
- 7) Requirement of plant and equipment and fabrication facilities.
- 8) A feasible product mix with possibilities joint and by-products.
- 9) Facilities for affluent disposal.

A broad-based evaluation of the technical aspects of projects is carried out at the project feasibility stage along the lines listed above. The commercial side of technical details is also studied simultaneously so that the commercial exploitability of technology can be evaluated.

The important questions to be asked include: Is the technology available as a technical know-how, or through a technical collaboration, or a joint venture? Are patents, trademarks, or licensing involved? At what terms and with what legal obligations? Will it tie down the investor to procure equipment(s) as well from a specific country or company?

16.8 ENVIRONMENTAL FEASIBILITY:

In recent years, environmental concerns have assumed a great deal of significance especially for projects, which have significant ecological implications like power plants and irrigation schemes, and for environment polluting industries (like bulk drugs, chemicals and leather processing). The concerns that are usually addressed include the following:

1. What is the likely damage caused by the project to the environment?
2. What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limits?

16.9 ECONOMIC FEASIBILITY:

The term economic viability and financial viability are not different for companies. However, from the national angle and from the viewpoint of the economy as a whole, economic feasibility and financial feasibility are not

considered to be same. Cost and benefits to the nation due to the proposed project are considered in the economic feasibility test. Tax revenue, generation of employment, saving of foreign reserve and such other factors, differentiate economic viability from financial viability. The government and government agencies calculate the economic indicators of a project before permitting a project or financing it.

Economics is the study of costs- and- benefits. In regard to the feasibility of the study the entrepreneur is concerned whether the capital cost as well as the cost of the product is justifiable vis-à-vis the price at which it will sell at the market place. For example, technically, silver can be extracted from silver bromide, (a chemical used for processing the X-ray and photo films); but, the cost of extraction is so high that it would not be economically feasible to do so. Likewise, until recently cost of harnessing solar power was prohibitively high. This cost-benefit analysis goes into financial calculations for profitability analysis that we discussed under financial analysis. At this stage it is also useful to distinguish between the economic and commercial feasibility; whereas economic feasibility leads one to the unit cost of the product, commercial feasibility informs whether enough units would sell.

Apart from the cost-benefit analysis as above, which we also refer to as private cost-benefit analysis, it is also useful to do what is known as social- cost-benefit- analysis (SCBA). For example, the entrepreneur may be getting subsidized electricity in which case private cost would be less than social cost. Likewise, exporting units earn precious foreign exchange resulting into social benefits being more than private earnings. Many a time, a project that is worthy on SCBA may find greater favour with the support agencies.

16.10 LEGAL AND ADMINISTRATIVE:

Think of the plight of the entrepreneur who worked on the idea of a dry cleaning to cater to hotels and hospitals, finds it eminently feasible only to learn subsequently that 'dry cleaning' does not figure as an industry within the administrative definition of SSI as applicable on that date. What is implied from this example is that the entrepreneur has to be sure also of the administrative and legal issues involved in the project. These include, choice of the form of business organisation, registration and clearances and approvals from the diverse authorities.

16.10.1 Forms of Organisation

1. Sole Proprietor: A sole proprietorship, also known as the sole trader or simply a proprietorship, is a type of business entity that is owned and run by one individual and in which there is no legal distinction between the owner and the business. The owner receives all profits (subject to taxation specific to the business) and has unlimited responsibility for all losses and debts. Every asset of the business is owned by the proprietor and all debts of the business are

the proprietor's. As a result the vast majority of new businesses start as sole proprietors. This form has the added merit of being free from formalities regarding incorporation or maintenance of accounts or auditing etc.

- 2. Partnership:** The limitations of sole proprietorship form of organisation led to the formation of another form of organization known as partnership. A type of unincorporated business organization in which multiple individuals, called general partners, manage the business and are equally liable for its debts; other individuals called limited partners may invest but not be directly involved in management and are liable only to the extent of their investments. Unlike a Limited Liability Company or a corporation, in a partnership each partner shares equal responsibility for the company's profits and losses, and its debts and liabilities. This form also makes for pooling of skills and responsibilities and spread of risk.
- 3. Company:** A company is a business organization. It is an association or collection of individual real persons and/or other companies, who each provide some form of capital. This group has a common purpose or focus and an aim of gaining profits. This collection, group or association of persons can be made to exist in law and then a company is itself considered a "legal person". The Companies Act of 1956 governs the companies.
- 4. Co-operative:** A co-operative is an enterprise owned and controlled by people working in it. Generally they are formed for some specific purpose like a housing cooperative society.

16.11 CHECK YOUR PROGRESS:

Fill in the blank:

1. is a test where the prima facia viability of the investment is evaluated.
2. The check has to be based on creative judgement and wishful thinking.
3. estimates are derived from the market feasibility study.
4. The financial feasibility check involves a detailed..... analysis.
5. Tax revenue, generation of employment, saving of foreign reserve and such other factors, differentiate..... from financial viability.

16.12 SUMMARY:

The project feasibility report is prepared for the initial assessment of the commercial worth of a proposed project. Market feasibility, technical feasibility and financial feasibility are the three main parts of the project feasibility report, although market feasibility is mainly emphasized in it. The focus of the market feasibility study is on estimating the demand-supply gap. Past trends of demand and supply are studied and the future is forecast. The forecast demand and supply is adjusted with additional information related to changes in economic

indicators, government policy, etc. Markets are defined in end-user segments and geographic limits. Export potential is also assessed for getting the true picture of the demand and supply gap. Technical feasibility is essentially concerned with the assessment of technology, processes, know-how, their indigenisation and so on. Market and technical feasibilities are jointly used for indicating the ideal location of the proposed plant, and its capacity.

Financial feasibility primarily includes the calculation of costs and benefits in terms of financial numbers. It is preceded by the selection of the sources of funds and estimation of project costs and operating costs. Assessment of tax implication is also vital. Financial workings would include the preparation of many schedules; namely, the depreciation schedule, working capital schedule, loan repayment schedule, etc. Balance sheets, profit and loss accounts, and cash flow statements are also prepared. Then the entrepreneur can go for environmental, economic and legal feasibility of the projects.

16.13 GLOSSARY:

- **Aggregate Demand:** Is the flow of money and expenditures for goods and services during a given time period. The expectations of aggregate demand influence the aggregate supply.
- **Cash Flows:** In investments, it represents earnings before depreciation amortization and non-cash charges. Sometimes called cash earnings.
- **Elasticity of Demand:** Demand is considered elastic when a decrease in price results in an increase in total revenue.
- **Income Statement:** Also, earnings report, operating statement, profit and loss statement. It is a summary of the revenues and expenses of a business firm or other organisation for a particular period of time, generally one year.
- **Share Capital:** It is the contributed capital of a company that reckons investors' interests in terms of shares.

16.14 ANSWERS TO CHECK YOUR PROGRESS:

Fill in the blanks:

1. Project feasibility
2. Market feasibility
3. Demand and price
4. Financial
5. economic viability

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16.16 SUGGESTED READINGS:

1. Entrepreneurship and economic development: J.V.Prabhakara
2. Fundamentals of project management: James. P. Lewis
3. Project planning and control: G David Carmichael
4. Project planning, analysis, selection, financing, implementation and review: Prasanna Chandra
5. Project Management: S Chaudhary

16.17 TERMINAL QUESTIONS:

1. What are the important facets of a project feasibility study?
2. What factors are to be kept in mind while deciding on product/service?

3. Explain in detail about the importance of financial feasibility for any project?
4. Explain legal considerations in the establishment of an enterprise.
5. Define:
 - a. Market feasibility.
 - b. Economic feasibility.
 - c. Environmental feasibility

UNIT 17: OPPORTUNITIES AND ENVIRONMENT FOR DEVELOPMENT OF TOURISM ENTREPRENEURSHIP IN INDIA

STRUCTURE

- 17.1 Introduction
- 17.2 Objectives
- 17.3 Entrepreneurship and New Venture Creation
- 17.4 The Role of Government in Supporting Entrepreneurship
- 17.5 State Governments Incentives for Investors
- 17.6 Tourism Related Entrepreneurship Opportunities
- 17.7 Challenges for New Ventures in Tourism Industry
- 17.8 Check Your Progress 1
- 17.9 Summary
- 17.10 Glossary
- 17.11 Answers to Check Your Progress
- 17.12 References
- 17.13. Suggested Readings
- 17.14. Terminal questions

17.1 INTRODUCTION:

Once an individual decides to take up entrepreneurship as a career path, to be a job provider instead of a job seeker, he has to establish an enterprise. It is extremely important to take utmost care in identifying the product or service to be launched by the entrepreneur otherwise it might prove to be a very costly mistake. He must develop sensitivity to changes around him, which can provide business opportunities and then carefully scan his environment to generate ideas. After tentatively identifying four to five ideas he should go in for detailed assessment and feasibility study. This will help him to crystallise one idea in an objective and systematic manner, which will greatly enhance his chances of success.

17.2 OBJECTIVES:

After going through this lesson you should be able to:

- Familiarise yourself with the process of establishing an enterprise,
- Understand with the role of government in establishing a new venture.

- Use your creativity and innovativeness in identifying business ideas in tourism industry.
- The various challenges and opportunities in tourism industry.

17.3 ENTREPRENEURSHIP AND NEW VENTURE CREATION:

Even to a most casual observer it will appear that India is moving on a growth path. The roads are choked with cars, scooters and buses and now in Delhi we have a brand new Metro also. Most people are well dressed and carry cell phones. The sale of TVs, washing machines and other white goods are booming. There is a spurt in travel both domestic and international as well as in the number of people dining out. All these are signs of economic development and it is the entrepreneur who is the driving force behind economic growth and rejuvenation. This is true not only in India but also all across the globe. Development of entrepreneurship helps to accelerate the pace of economic growth, solve problems of unemployment, and check concentration of wealth in the hands of a few individuals or business families. It also helps to achieve balanced growth of all regions of the nation.

Entrepreneur is the one who makes things happen by perceiving an opportunity and organizing the resources needed to exploit this opportunity. He creates a new business in face of risk and uncertainty for the purpose of achieving profit and growth. Entrepreneurs look ahead to see what can be done in future rather than concentrating on the past. Where others see problems and shortcomings they see opportunities for starting a business.

To set up an enterprise the entrepreneur has to undergo the entrepreneurial experience. Once having done that, he has to concentrate on the management of his business. The entrepreneurial experience begins with the idea for starting a new venture. The idea has to be sifted and refined so that he can identify a new product or service to be produced or offered. Usually there is a triggering factor, which makes the entrepreneur take the plunge to start his business. However one has to systematically make a business plan and study the feasibility of the proposed venture before doing so.

17.4 THE ROLE OF GOVERNMENT IN SUPPORTING ENTREPRENEURSHIP:

Small and Medium-sized Enterprises (SMEs) in market economies are the engine of economic development. Owing to their private ownership, entrepreneurial spirit, their flexibility and adaptability as well as their potential to react to challenges and changing environments, SMEs contribute to sustainable growth and employment generation in a significant manner. SMEs have strategic importance for each national economy due a wide range of reasons. Logically, the government shows such an interest in supporting entrepreneurship and SMEs. There is no simpler way to create new job positions, increasing GDP and

rising standard of population than supporting entrepreneurship and encouraging and supporting people who dare to start their own business. Every surviving and successful business means new jobs and growth of GDP.

Therefore, designing a comprehensive, coherent and consistent approach of Council of Ministers and entity governments to entrepreneurship and SMEs in the form of government support strategy to entrepreneurship and SMEs is an absolute priority. A comprehensive government approach to entrepreneurship and SMEs would provide for a full coordination of activities of numerous governmental institutions (chambers of commerce, employment bureaus, etc.) and NGOs dealing with entrepreneurship and SMEs. With no pretension of defining the role of government in supporting entrepreneurship and SMEs, we believe that apart from designing a comprehensive entrepreneurship and SMEs strategy, the development of national SME support institutions and networks is one of key condition for success. There are no doubts that governments should create different types of support institutions:

To provide information on regulations, standards, taxation, customs duties, marketing issues; ii) To advise on business planning, marketing and accountancy, quality control and assurance; iii) To create incubator units providing the space and infrastructure for business beginners and innovative companies, and helping them to solve technological problems, and to search for know-how and promote innovation; and iv) To help in looking for partners. In order to stimulate entrepreneurship and improve the business environment for small enterprises.

17.4.1 Training:

Basic training differs from product to product but will necessary involve sharpening of entrepreneurial skills. Need based technical training is provided by the Govt. & State Govt. technical Institutions. There are a number of Government organisations as well as NGOs who conduct EDPs and MDPs. These EDPs and MDPs and are conducted by MSME's, NIESBUD, NSIC, IIE, NISIET, Entrepreneurship Development Institutes and other state government developmental agencies.

17.4.2 Marketing Assistance:

There are Governmental and non-governmental specialised agencies which provide marketing assistance. Besides promotion of MSME products through exhibitions, NSIC directly market the MSME produce in the domestic and overseas market. NSIC also manages a single point registration scheme for manufacturers for Govt. purchase. Units registered under this scheme get the benefits of free tender documents and exemption from earnest money deposit and performance guarantee.

17.4.3 Promotional Schemes:

Government accords the highest preference to development of MSME by framing and implementing suitable policies and promotional schemes. Besides providing developed land and sheds to the entrepreneurs on actual cost basis with appropriate infrastructure, special schemes have been designed for specific purposes like quality upgradation, common facilities, entrepreneurship development and consultancy services at nominal charges. Government of India has been executing the incentive scheme for providing reimbursement of charges for acquiring ISO 9000 certification to the extent of 75% of the cost subject to a maximum of Rs. 75,000/- in each case. ISO 9000 is a mechanism to facilitate adoption of consistent management practices and production technique as decided by the entrepreneur himself. This facilitates achievement of desired level of quality while keeping check on production process and management of the enterprise.

17.4.4 Concession on Excise Duty:

MSME units with a turnover of Rs. 1 crore or less per year have been exempted from payment of Excise Duty. Moreover there is a general scheme of excise exemption for MSME brought out by the Ministry of Finance which covers most of the items. Under this, units having turnover of less than Rs. 3 crores are eligible for concessional rate of Excise Duty. Moreover, there is an exemption from Excise Duty for MSME units producing branded goods in rural areas

17.4.5 Credit Facility to MSME:

Credit to micro, small and medium scale sector has been covered under priority sector lending by banks. Small Industries Development Bank of India (SIDBI) has been established as the apex institution for financing the MSME. Specific schemes have been designed for implementation through SIDBI, SFCs, Scheduled Banks, SIDCs and NSIC etc. Loans upto Rs. 5 lakhs are made available by the banks without insisting on collaterals. Further Credit Guarantee Fund for micro, small and medium enterprises has been set up to provide guarantee for loans to MSME up to Rs. 25 lakhs extended by Commercial Banks and some Regional Rural Bank.

Government of India runs a scheme for giving National Awards to micro, small and medium scale entrepreneurs providing quality products in 11 selected industry groups of consumer interest. The winners are given trophy, certificate and a cash prize of Rs. 25000/- each. Government accords the highest preference to development of MSME by framing and implementing suitable policies and promotional schemes like policies and promotional schemes, providing incentives for quality upgradation, concession on excise duty and provides technical supportive services. Thus Government play supportive role in developing entrepreneurs.

17.5 STATE GOVERNMENTS INCENTIVES FOR INVESTORS:

Many state governments are offering incentives to attract investment in their states. Many state governments in India offer attractive incentive packages.

Policies and Schemes for Promotion of MSME Implemented by State Governments: All the State Governments provide technical and other support services to small units through their Directorates of Industries, and District Industries Centres. Although the details of the scheme vary from state to state, the following are the common areas of support.

- Development and management of industrial estates
- Suspension/deferment of Sales Tax
- Power subsidies
- Capital investment subsidies for new units set up in a particular district
- Seed Capital/Margin Money Assistance Scheme
- Priority in allotment of power connection, water connection.
- Consultancy and technical support
- Loans and subsidies at very attractive rates of interest.

17.6 TOURISM RELATED ENTREPRENEURSHIP OPPORTUNITIES:

Travel and tour operators: Tour operators are businesses that combine two or more travel services (e.g., transport, accommodation, meals, entertainment, sight seeing) and sell them through travel agencies or directly to final consumers as a single product (called a package tour) for a global price. The components of a package tour might be pre-established or can result from an “a la carte” procedure, in which the visitor decides the combination of services he/she wishes to acquire.

Hotels : A commercial establishment providing lodging, meals, and other guest services. In general, to be called a hotel, an establishment must have a minimum of six letting bedrooms, at least three of which must have attached private bathroom facilities. Although hotels are classified into 'Star' categories (1-Star to 7-Star), there is no standard method of assigning these ratings, and compliance with customary requirements is voluntary.

Motels: Motor hotel. In general, roadside overnight accommodation facility that offers little or no amenities (such as attached bathroom or room service) other than parking space.

Guest houses: Larger than 'bed and breakfast' accommodation, typically offering breakfast included in room rate but not licensed to serve alcoholic beverages. Guest houses range from low-budget rooms to luxury apartments, and tend to be like small hotels in larger cities. They are rated from one to four stars.

Tour guide: A tourist guide is someone who possesses an area-specific tourist

guide qualification issued and/or recognised by the appropriate public authority. The role of the tourist guide is to guide visitors from abroad or the home country, in the language(s) of their choice, interpreting the natural and cultural heritage of the area of qualification.

Transport/ transfer services for tourists: Transport infrastructure consists of the fixed installations necessary for transport, and may be roads, railways, airways, waterways, canals and pipelines, and terminals such as airports, railway stations, bus stations, warehouses, trucking terminals, refueling depots (including fueling docks and fuel stations), and seaports. Terminals may be used both for interchange of passengers and cargo and for maintenance.

Vehicles traveling on these networks may include automobiles, bicycles, buses, trains, trucks, people, helicopters, and aircraft. Operations deal with the way the vehicles are operated, and the procedures set for this purpose including financing, legalities and policies. In the transport industry, operations and ownership of infrastructure can be either public or private.

Tourist campsites/picnic sites: Camping is often referred as a recreational activity at affordable prices. As nice as this is having a picnic along with it can enhance the experience. When you really think about it, the two "would be" different ideas are a perfect combination

Picnics are more than just about eating when you are with your family, friends or significant other. Depending on your location, you can do some boating, swimming, perhaps some fishing and maybe even some hiking. These are things you also do for camping. Some campgrounds and some state park sites offer a swimming area such as a pool, lake or other bodies of water.

Houseboats: A houseboat is a boat that has been designed or modified to be used primarily as a human dwelling. Some houseboats are not motorized, because they are usually moored, kept stationary at a fixed point and often tethered to land to provide utilities.

Boat station: A ship's passenger's assigned space during lifeboat drills or an actual emergency.

Cultural centres: A cultural center or cultural centre is an organization, building or complex that promotes culture and arts. Cultural centres can be neighbourhood community arts organizations, private facilities, government-sponsored, or activist-run

17.7 CHALLENGES FOR NEW VENTURES IN TOURISM INDUSTRY:

Potential for the travel and tourism industry in India is enormous. However, at the same time, the industry faces numerous challenges, of which the most critical is lack of proper infrastructure. Various challenges/issues faced by the domestic travel and tourism industry in India:

Lack of proper infrastructure: Infrastructure needs for the travel and tourism industry range from physical infrastructure such as ports of entry to modes of

transport to urban infrastructure such as access roads, electricity, water supply, sewerage and telecommunication. The sectors related to the travel and tourism industry include airlines, surface transport, accommodation (hotels), and infrastructure and facilitation systems, among others.

Access and connectivity: To harness India's tourism potential, several efforts are being taken for opening new destinations and exploring niche segments. However, infrastructure facilities such as air, rail, road connectivity, and hospitality services at these destinations and the connecting cities are inadequate. This remains a major hurdle for development of tourism. Roadways form a vital network in the tourist industry with almost 70% tourists in India travelling by road. Moreover, many tourist circuits depend on roads. Despite numerous efforts to improve road infrastructure, connectivity remains a major problem. There is a greater need for strengthened road and rail network, development of more expressways, and tourist-specific routes to improve connectivity to various locations across different regions.

Aviation infrastructure is also critical since it is a major mode of entry for inbound tourism. Passenger traffic is expected to increase in the coming years; however infrastructure facilities at airports are cause for concern. Expansion and development of airports at major gateway cities is underway to cater to the increasing passenger traffic. However, in addition, airport facilities at important secondary cities and tourist destinations also need to be improved to be able to handle greater passenger traffic.

Amenities: Amenities available at various tourist locations and en route need to be improved. These include basic amenities such as drinking water, well maintained and clean waiting rooms and toilets, first aid and wayside amenities (to meet the requirement of the tourists travelling to tourist destinations) such as lounge, cafeteria, and parking facilities, among others.

India scores poorly in terms of availability of these infrastructure facilities. Inadequate infrastructure facilities affect inbound tourism and also could lead to an increase in the outflow of domestic tourists from India to other competitive neighbouring countries. Hence, for the industry to register healthy growth, issues concerning all the related sectors need to be addressed.

Human resource: Availability of skilled manpower is a major challenge faced by the travel and tourism industry, one of the largest employment generators in the country. To sustain growth in the travel and tourism industry, trained manpower/workforce is required at every level — managerial, supervisory, skilled or semi-skilled. Challenges faced at each level are different. At mid and senior management levels, the industry faces talent crunch and at the front-line staff level, although human resources are adequate, a boom in other service industries such as banking, retail, airline and BPO have resulted in shortage of manpower at this level for the travel and tourism industry. Thus, we have a demand-supply mismatch with respect to manpower in the travel & tourism and hospitality sector in India. A study conducted by Ministry of Tourism suggests

that existing supply of human resources do not cater to even 40% of the demand. Thus, the industry has no alternative but to fill the void with untrained resources. Such a high proportion of untrained manpower would adversely affect quality of services offered to the tourists.

Attrition, shortage of tourism training infrastructure, qualified trainers, and lack of proper strategies and policies for human resource development also affect the industry. The industry needs to address these problems at the earliest.

Service level: In addition to tour operators and hotel staff, tourists interact with persons from different backgrounds, occupations and experience. Such people include staff at bus/railway station, immigration staff at airports, taxi/coach operators, ticketing/ travel agencies, small hotels, dhabas/roadside eateries, staff at heritage sites, and tour guides, among others. The degree of service offered by these various stakeholders has a significant impact on determining the tourist's overall experience of India as a tourist destination. The government has taken initiatives to promote responsible tourism by sensitising key stakeholders of the tourism industry through training and orientation, to develop a sense of responsibility towards tourists and inspire confidence of foreign tourists in India as a preferred destination. One such major initiative is the "Atithi Devo Bhava" campaign. More such efforts are required to improve the degree of service across various operators.

Marketing and promotion: Marketing and promotion of India as a major tourist destination is critical for the industry to achieve its potential. Lack of adequate budgetary support for promotion and marketing, compared with competing tourist destinations, is a major reason for India lagging behind as a tourist destination. Marketing under the "Incredible India" campaign helped place India as a good tourist destination on the global tourism map. Indian tourism products are promoted primarily by the Ministry of Tourism with the involvement of state governments through the State Tourism Development Corporations. Newer tourism concepts, which include cruise tourism, adventure tourism, agri tourism or rural tourism, are emerging in India and these require support to develop and flourish. Hence, greater marketing push for these different products is required. To remain competitive in the fiercely competitive field, India needs to change its traditional marketing approach to a more competitive and modern approach. There is a need to develop a unique market position and the brand positioning statement should capture the essence of the country's tourism products: i.e., they should be able to convey an image of the product to a potential customer.

Taxation: Travel and tourism in India is a high-taxed industry, which makes India expensive as a tourist destination. This is affecting the growth of the industry in India and India is losing out to other low-cost destinations. Inbound tourism is the one most affected. Various taxes are levied across the entire industry right from tour operators, transporters, airline industry to hotels and these include service tax, luxury tax, tax on transportation, tax on aviation turbine fuel (airline industry),

and various taxes on transportation. In addition, these tax rates tend to vary across different states in the country.

Security: Security has been a major problem as well for growth of tourism for a number of years. Terrorist attacks or political unrest in different parts of the country have adversely affected sentiments of foreign tourists. Terror attacks at Mumbai in November 2008 dealt a strong blow to tourism in the country. The terror attacks raised concerns of safety. In addition, insurgency in different parts of the country also mars India's image as a safe destination. Following the terror attacks in Mumbai, security at tourist spots, airports and hotels has been beefed up to regain confidence of tourists. However, the government needs to take a proactive approach in addressing these issues and in averting the potential impact on the industry.

Cyber crime is another major challenge the travel industry faces. Use of Internet in the travel and tourism industry has increased rapidly in recent years and has emerged as one of major segments for online spends. However, some of the biggest frauds have been detected in this segment and the issue of online security has assumed significant importance. While the online travel industry has registered robust growth, major concerns relating to security of online transactions persist. The industry needs to take measures to make the process of online bookings more secure and transparent and also needs to create awareness regarding this.

Regulatory issues: For inbound international tourists, visa procedures are seen as a hindrance. A number of countries competing with India for tourists provide visa on arrival. India should provide visa on arrival for more countries or for certain categories of tourists for a specific duration.

A number of projects in the tourism infrastructure segment and in the hotels industry are delayed due to non-attainment of licenses and approvals on time. The government recently cleared the long-standing proposal for single window clearance for hotel projects to hasten the process of infrastructure development. Implementation of this proposal would help development of tourism and hospitality infrastructure in the country. There is a greater need for speedier clearances and approvals for all projects related to the industry.

Prospects: Healthy economic growth recorded in past few years, especially in the services industry, has led to increase in business travel. Higher disposable income and affordability have increased domestic leisure travel in India. Foreign tourist arrivals in India have also grown. The industry's performance was hit in 2009 due to the global economic slowdown, terror attacks in Mumbai (November 2008) and H1N1 virus. However, the industry has shown signs of recovery in the first half of 2010. This is a clear indicator that the long-term prospects for the Indian travel and tourism industry are bright. India is expected to witness increased tourist activity both in the business and leisure segments in the coming years. International inbound traffic is expected to grow rapidly with increasing

investment and trade activity. India has been identified as one of the fastest-growing countries in terms of tourism demand.

17.8 CHECK YOUR PROGRESS: 1

Fill In The Blank:

1. Where others see problems and shortcomings see opportunities for starting a business.
2. Small and Medium-sized Enterprises (SMEs) in market economies are the engine of
3. Basic training differs from product to product but will necessary involve sharpening of
4. are businesses that combine two or more travel services.
5. Ais someone who possesses an area-specific tourist guide qualification issued and/or recognised by the appropriate public authority.
6. A cultural center or cultural centre is an organization, building or complex that promotes
7. India's greatestassets are Himalayas and its mighty rivers.

17.9 SUMMARY:

In this Unit we attempted to give you an idea about the characteristics of an entrepreneur and the process of entrepreneurship. There are ample opportunities for those planning to enter the tourism sector. You have these opportunities right in your own location if your area is a tourist destination. But to use these opportunities you ought to have entrepreneurial qualities and must be familiar with the entrepreneurial process. It is essential that you have a professional approach with an understanding of management concepts and functions. Environmental cautiousness, respect for local customs, involvement of local population and job opportunities for them will add to your success. Here you must take note of the various government schemes for motivating, financing and training entrepreneurs and make use of them. Tourism industry is one of the major segments of our economy, it contributes major part of foreign exchange and generates employment and helps infrastructure development.

17.10 GLOSSARY:

- **Business plan:** an action plan that entrepreneurs draw up for the purpose of starting a business; a guide to running one's business.
- **Carrier:** Transportation Company such as an airline, motor coach, cruise line, or railroad which carries passengers and/or cargo carrying capacity: the amount of tourism a destination can handle.
- **Culture:** A set of shared norms and values which establish a sense of identity for those who share them. Typically applied at the level of nation and/or race.

- **Ecotourism:** Defined by The International Ecotourism Society as 'responsible travel to natural areas that conserves the environment and sustains the well-being of local people'
- **Opportunity:** A need, want, problem, or challenge that can potentially be addressed by an entrepreneurial idea and an entrepreneurial venture.
- **SME(s):** Small and Medium Enterprises.
- **Themed tour:** A tour designed around a specific theme such as fall foliage, also a special interest tour
- **Venture:** Any initiative that entails the mobilization of resources to establish a good, service, program, and so forth to address needs, wants, problems, and challenges.

17. 11 ANSWERS TO CHECK YOUR PROGRESS:

Fill in the blanks:

1. Entrepreneur.
2. Economic development
3. Entrepreneurial skills.
4. Tour operators
5. Tourist guide
6. Culture and arts
7. Adventure tourism

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17. 13. SUGGESTED READINGS:

1. Creating And Launching Superior New Product, Product Leadership: Robert Cooper
2. Entrepreneurship and economic development: J.V.Prabhakara
3. Tourism and Entrepreneurship international perspective: J. ATE Ijivic & S. G. page

17. 14. TERMINAL QUESTIONS:

1. Discuss the various incentives for investors provided by state government.
2. Critically examine the role of government in establishing an entrepreneurial venture.
3. What are the various opportunities prevailing in the field of tourism?
4. Give a detailed account of problems faced by tourism industry in India.
5. Write short note on:
 - A: Entrepreneurship.
 - B: Marketing Assistance.
 - C: Promotional Schemes.
 - D: Tourist campsites/picnic sites.