

CHAPTER -11

MARKETING

MARKET

The term market has its origin in the Latin word 'marketus' it means mercantise, wares or trades. The term 'market' is used in a variety of contexts. Traditionally market is the place where exchange of products takes place. Eg. Chala market, Chengannassery market etc. Now a days a market need not necessarily be a place or area.

In fact, market constitutes aggregate demand of the potential buyers of a commodity or service. Market is an idea or concept describing an area, place or demand for products. In the word of **DUDDY**

"Markets are people with money to spend and desire to spend it"

MARKETING

Marketing in its descriptive definitions, explains the functions involved in the activities of goods from the producer to the consumer. Marketing includes all activities involved in the creation of place, time and possession utilities. **Marketing means what a marketer does.**

"Marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer. " **—American Marketing Association**

"Marketing includes those business activities which are involved in the flow of goods and services from production to consumption " **- Converse**

To move the goods and services from the place of production to the place of consumption, a number of activities are required. These include product designing or merchandising, packaging, warehousing, transportation, branding, selling, advertising, pricing etc. All these activities are referred to as marketing activities.

In modern sense, marketing is a social process whereby people exchange goods and services for something of value to them. Marketing is a human activity directed at satisfying needs and wants through exchange processes. Marketing aims at profit through customer satisfaction. Marketing is the process of identifying and satisfying the needs and wants of customers. Thus the basic goals of marketing are satisfaction of the need of the customers and generation of revenue for the business

Marketing is not a post-production activity. Marketing starts even before production takes place and continues even after the goods have been sold. Identification of consumer's needs, data collection for product development, designing, packaging, labeling, branding etc. are pre-production activities.

FEATURES OF MARKETING

1. **Need and Wants:** The process of marketing helps individuals and groups in obtaining what they need and want. It integrates customer needs with organizational objectives. A marketer's job in the organization is to identify needs of the target customers and develop products and services that satisfy such needs.
2. **Creating Market offering:** market offering refers to a complete offer of a product or service. This means that offer should include features like size, quality, taste etc. and should state its price, availability etc. A good market offer is one developed after carefully analyzing the need and preferences of potential buyers.
3. **Customer value:** Buyers take a buying decision based on their perceptions about the value of a product or service is satisfying their need. Cost element is also considered. The job of a marketer, therefore, is to add to the value of the products so that the customer prefers it in relation to the competing products and decides to purchase it.
4. **Exchange mechanism :** The process of marketing involves exchange of products and services for money or for something of value to them. Exchange is considered as the essence of marketing. The goods are produced at different places and distributed through middlemen at different places. An exchange to take place, following conditions are to be satisfied.
 - a. Two parties must be present viz, buyer and seller
 - b. Each party should be capable of offering something of value to the other. For eg. the seller offers a product and the buyer money.
 - c. Each party is capable of communication and delivery.
 - d. Each party should have freedom to accept or reject other party's offer.
 - e. Each party should be willing to enter into transaction with each other's

Marketing is not merely a business phenomenon. It is equally relevant to non-profit organization, social and religious institutions.

What can be marketed

Anything is of value to the other can be marketed. It can be a product, service, a person, a place an idea, an event, an organization experience or properties.

Eg.	Physical products :	DVD player, Motor cycle, iPods etc.
	Services :	Insurance, Health care, BPO, computer Education
	Ideas :	Polio vaccination, family Planning, donation of blood.
	Persons :	For election of candidates for certain post.
	Experience :	Lunch with a celebrity
	Place :	Visit Kerala “ God own country”

Who is a marketer

Marketer refers to any person who takes more active part in the process of exchange. Marketer is the manufacturer and/or seller of goods and services to the customers after identifying their requirements. Generally the seller is the marketer.eg. Tata, Hindustan Unilever, KSRTC, KTDC, idea. **Buyer can also be amarker.**For eg.in situations of rare supply , the buyer may be taking extra efforts in persuading the seller to sell the product to him. Thus anybody, who take more active role in the exchange process will be taken as the marketer.

MARKETING MANGEMENT

Marketing Management is the management of marketing functions in an organization. It is the process of planning, organizing, directing and controlling the marketing activities of an organization to satisfy the customers' need.

According to **American Management Association** the term marketing Management has been defined as ‘ the process of planning, and executing the conception, pricing, promotion and distribution of ideas , goods and services to create exchanges that satisfy individual and organizational goals’

The object of every business is to earn a reasonable profit by satisfying the need of customers. Thus the basic goal of marketing management to achieve business objectives. They are as follows

1. **Creation of demand:** Marketing tries to create demand through various means. The producers first ascertain what the customers want and then produce goods accordingly to the needs of customers.
2. **Customer Satisfaction:**Marketing always tries to find out customer needs and satisfy them. Modern marketing begins and ends with the needs of the customers

3. **Market share:** In order to face competition, every business concern tries to capture a reasonable share in the market.
4. **Goodwill:** Marketing basically attempts to provide quality products to customers at reasonable price and thus builds up good image for the business.
5. **Improve standard of living:** Marketing has the ability to integrate production and consumption. Production and consumption of quality products may be taken as the basis for standard of living of people.

MARKETING AND SELLING

Marketing and selling are often used as synonyms, but they are different words bearing different meanings. Selling is the process of exchanging something for value. Marketing on the other hand seeks customer satisfaction through production and distribution of goods and services. Thus marketing gives more attention to customer satisfaction. Selling is only one part of marketing. Major differences between selling and marketing are given below.

Marketing	Selling
1. Marketing focuses on the need of the customer	1. Selling focuses on the need of the seller.
2. Marketing begins before actual production takes place	2. Selling takes place after the production.
3. Customer oriented- Customer is treated as a king. He is given supreme importance	3. Producer and product oriented- product enjoys supreme importance
4. Marketing aims at profit maximization through customer satisfaction	4. Selling aims profit maximization through increased sales volume
5. The principle of caveat Vender (Let the seller beware) is followed	5. The principle of Caveat Emptor(Let the buyer beware) is followed.
6. An integrated approach is followed in marketing. For eg: product planning, development, advertising, selling etc.	6. Fragmented approach to selling is followed. Attempt is made to sell whatever is produced.
7. Marketing aims at long term profit maximization through growth and stability.	7. Selling aims at short term profit maximization
8. Marketing is a wider term- which includes selling	8. Selling is only a part of marketing

MARKETING MANAGEMENT PHILOSOPHIES (MARKETING CONCEPTS)

Marketing start with identifying consumer needs and ends with satisfying these needs. Marketing concept is an attitude or a way of business thinking. It is also referred to as marketing philosophy. Depending upon the way of thinking there are different marketing concepts.

The concept or philosophy of marketing has evolved over a period of time and is discussed as follows.

1. **Production concept:** According to production concept consumers favour those products with low price and easily available. The advocates of production concept focus attention on lowering the cost of production by means of mass production and distribution techniques. The production concept focused on cheap products being made available widely. This concept will be successful only if demand exceeds supply.
2. **The product concepts:** product concept believes on quality of products. Advocates of this concept believe on quality of products. Advocates of this concept believe that consumers favour quality, performance, innovative features etc. thus such marketers concentrate on superior quality products. Product concept has a limitation as it concentrates only on products. It neglects the other elements of marketing mix such as price, place, promotion.
3. **The selling concepts:** Selling concept does not pay much attention on product or production techniques. It believes that a product can be sold in the market only through effective selling techniques such as advertising and other promotional activities. This concept proposes that in order to make a customer to buy a product, he needs to be convinced and attracted.
4. **The marketing concept** : Marketing concept emphasis on customers and maximizing their satisfaction. This concept is comparatively new and it believes that the customer is the focal point of all marketing decision. It involves identification, assessment and satisfaction of customer needs. The advocates of this concept say that the product is to be designed and produced with a view to satisfy customers.

Pillars of marketing concepts

- a. Identification of market or customers
 - b. Understanding their needs and wants
 - c. Developing products or services accordingly.
 - d. Satisfying their needs better than the competitors
 - e. Doing all this at a profit.
5. **The societal marketing concepts:** This concept is an extension of marketing concepts. Here it is argued that while producing and distributing goods according to the needs of customers, the marketer should take into consideration the society also. It means that the product should be eco- friendly and do not harmful to the environment. Advocates of this concept believe that the organization which considers social and ethical issues can create public images.

FUNCTIONS OF MARKETING

The movement of goods from the producers to the ultimate consumers involves a number of activities. These activities are known as marketing functions. They are:

1. **Gathering and analyzing market information** : one of the important functions of marketer is to gather and analyze market information. This is necessary to identify the needs of the customers and product planning and developments. Information are obtained from customers, salesmen, dealers, press reports etc. with the growth of computers, a new trend has emerged in the collection of market information. It helps to SWOT (strength, weakness, Opportunities, and threats) analysis of the organization.
2. **Market Planning**: The marketing objectives of the organization can be achieved through proper marketing plans. The marketer has to develop a complete plan to cover various important aspects like plan for increasing the level of production, promotion of products, introduction of new products, increasing demand etc. For that he has to study the introduction market situation, attitudes of customers, competitors, government policy etc.
3. **Product planning and development** : Product planning and development begins with identification of customer needs. Based on the identified needs, the products are designed and developed so as to suit the requirements of users. Product planning and development involves the systematic study regarding the size, design, name, price, uses, color, quality, quantity, packing etc. of a product. Product planning and development have great relevance in marketing as it has direct impact on demand.
4. **Standardisation and Grading**: Standardization is the setting up of certain specifications on products like quality, quantity, sizes, design utility etc. which helps in achieving uniformity and consistency in the output. It facilitates purchases by description. For eg: product having ISI mark or Agmark can be purchased and the buyer can be assured of its quality.
Grading is a part of standardization. Grading is the act of classifying the products into different groups based on quality, quantity, size etc. Standardization is the basis of grading. When goods manufactured are not of uniform quality they need grading. Grading is very much required in case of agricultural produce like food grains, mango, apple etc. Grading helps in getting good price for the products.
5. **Packaging and labelling**: Packaging refers to designing the package for the products. Package is the wrapper or container in which a product is enclosed or sealed. Packaging is the process of putting the goods in the package for the purpose of easy marketing.

Packaging is necessary to reduce spoilage, breakage and leakage of the product in times of storage and transportation. Packaging is the, method of sales promotion.

Package usually contains a label on it. Putting label on the package is called labeling. This provides useful information to the buyer regarding the product such as quality, size, price etc. A good package acts as a silent salesman in self-service stores such as super bazars, super markets.

6. **Branding:** branding is the act of giving a special name, symbol, design or a combination of all these to a product, in order to distinguish it from others. Brand name helps in creating product differentiation. Branding creates goodwill and it ensures repeat sales. Brand name plays an important role in the success of a product. Colgate, Titan, Amul, Dalda etc are popular brands in India.

If a company manufactures and sells variety of products under a single brand name, it is called blanket family branding. Eg: Samsung, LG, Sony etc.

If a company gives different brand names for their different products it is called separate family name. eg: V-Guard, Wounderla, Veegaland, V-star of V-Guard company Kochi.

7. **Pricing of product:** pricing is the process of fixing price for the goods and services. Pricing is important as it determines the volume of sale and profit. Generally pricing is done after considering the factors like cost of production, demand for the product and competition.
8. **Customer support services:-** A very important function of marketing management includes the development of customer support services. These are after sales services, handling customer complaints, maintenance services, technical services and customer information. All these services are required to provide maximum satisfaction to the customers.
9. **Promotion:** promotion refers to use of various communication tools to inform and persuade customers about their firm's product. This includes advertising, personal selling, sales promotion and publicity.
10. **Physical distribution:** Physical distribution means movement of goods from place of production to the place of distribution. It is concerned with physical handling of goods. The two major decision areas under this function include 9a) Decision regarding channels of distribution (wholesalers, retailers) to be used and (b) physical movement of the product from the producer to consumers.

11. **Transportation:** Transportation facilitates the movement of goods from one place to another. Thus it provides place utility and brings together producers and consumers. There are different modes of transport like rail, water, air and road. Generally the mode of transportation is selected by considering various factors like speed, distance to be covered, safety etc.

12. **Storage and warehousing:** Storage refers to holding and preserving goods until the buyers demand them. Storage creates time utility by removing the hindrance of time between productions.

- Storage facilities bulk production of goods in anticipation of demand
- Storage facility enables consumption of seasonally produces goods throughout the year.

Warehousing facilitates storage of goods. It stabilizes the price of commodity. It assists the process of financing also.

Role of marketing

Marketing is important for the well-being of business as well as the society. Marketing helps the individual customers raise their standard of living. This is possible by getting the products and services that satisfy their needs and wants. Marketing also plays an important role in the nation's economic development. The role of marketing in a firm and in the economy are briefly discussed below.

(a) Role in a firm: Marketing helps in focusing the activities of an organization on the needs and wants of the customers. Modern marketing is thus consumer oriented. Today, all marketing activities are directed towards customer satisfaction and customer retention. Marketing as a business philosophy, helps in serving customers by satisfying their needs. A satisfied customer is the most valuable assets of any firm. Thus marketing plays a crucial role in the survival and growth of a firm.

(b) Role in the economy: Marketing plays a significant role in the development of an economy. It acts as a catalyst in the economic development of a country and helps in raising standards of living of the people. Marketing can inspire people to take up projects of production of goods that are needed by the customers. Right type of products, availability at right places, right price and through proper distribution system etc. are made possible through efficient marketing. Thus marketing is the kingpin

that keeps an economy moving ahead. It increases the national income by bringing about rise in consumption, production and investment.

MARKETING MIX

Modern Marketing is consumer oriented. Every marketer is trying to satisfy the needs and expectation of consumer's. But this is a difficult task as the marketing activities are influenced by several activities. Factors influencing the marketing activities are of two types – Controllable factors and uncontrollable factors.

Controllable factors are internal factors which can be controlled by an organization. They are four groups-product, price, promotion and place or distribution.. Uncontrollable factors are external which cannot be controlled by an organization. They are of four groups- consumers' behavior, competitors' behavior, traders' behaviour and government's behavior. The harmonious blending of the four controllable factors into a marketing program is called marketing mix.

MEANING AND DEFINITION

The concept of marketing mix developed by the prof. N.H. Borden.

- Marketing mix is a set of marketing tools that the firm uses to pursue its marketing objectives in the target market – Philip Kotler
- - Marketing mix is the term used to describe the combination of the four inputs which constitute the core of company's marketing system- the product, the price structure, the promotional activities and the distribution system. – Stanton.

The term marketing mix is used to describe a combination of four elements – the product, price, physical distribution and promotion, These are popularly known as ' Four P's'. Of marketing. Marketing mix developed to satisfy the anticipated needs of the identified markets.

Significance of marketing Mix

1. Marketing mix is the link between business and customers
2. Marketing mix helps to increase sales and profits
3. Marketing mix gives equitable consideration to all marketing elements
4. Marketing mix ensures proper integration of elements
5. Marketing mix ensures customer satisfaction.

COMPONENTS/ELEMENTS OF MARKETING MIX

E.J. McCarthy, an American Marketing Expert has stated Marketing mix in terms of four P, viz product, promotion, price and Place.



Marketing mix may be explained as total marketing programme of the business. Every business need to determine its optimum marketing mix in order to achieve its goals and objectives. The four components of marketing mix-products, price, place and promotion -are explained below.

1. **Product Mix :** Product means goods or services or anything of value' which is offered to the market for sale. The term product is viewed as a bundle of utilities. In this sense, product includes physical goods, services, places, organizations and ideas..Product is anything that can be offered to a market to satisfy a want or need. Product is the most visible components of the marketing mix.

In Marketing mix product refers to planning developing and producing right type of products and services. It involves decision on quality ,size, design, packaging , colour, brand, label, packages. Etc. The whole range of products offered by a firm is called product mix.

2. **Price Mix :** Price may be defined as the exchange of goods or services in terms of money. Without price there is no marketing in the society. The price is a matter of vital importance to the buyer and the seller.The variables usually involved in price mix are as follows.
 - (a) Determination of the right price
 - (b) Pricing policies and strategies
 - (c) Discounts, rebates and levels of margin
 - (d) Terms of delivery
 - (d) Credit policy etc.

- 3. Place or Physical distribution mix:** Place or promotion mix consists of all the activities involved in transferring ownership and physical possession of the product to consumers. Its purpose is to make the product or service available to customers at the right time and the right place. i.e. It creates time and place utility. Distribution mix includes
- (a) Channels of distribution
 - (b) Physical Distribution

Physical distribution includes all those activities which are involved in moving products or services from manufacturers to consumers. Channels of distribution are the routes through which goods move from the producer to consumers. Place or distribution mix creates convenience for the customer.

- 4. Promotion Mix :** Promotion deals with informing and persuading the customers about the firm's product. Promotion mix includes communication activities undertaken to inform and convince customers. Promotion mix involves decisions about advertising, personal selling and other sales promotion techniques. Thus the promotion efforts are directed at informing potential customers that the right product is available at the right place and at the right price.

Marketing mix is used as a tool towards the customers in order to ascertain their needs, tastes, preferences etc. Marketing mix must face competition. It must satisfy the demands of the society. Thus the firm can attain the objectives- profit, Market share, ROI, sales volume etc.

I. PRODUCT

Good products are key to market success. Anything that possesses utility is described as goods. A product is both what a seller has to sell and what a buyer has to buy. A product is one which satisfies the needs of customers. It is the most visible item also.

–“A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organization and ideas.”– Philip Kotler

The term product is viewed as a bundle of utilities. The utility may be physical, functional, psychological and or social. In this sense product includes physical goods, services, places, organizations and ideas.

Classification of products

Product may broadly be classified into two

(I) Consumer products (II). Industrial products.

I. Consumer products Consumer products are products purchased by ultimate consumers for personal or family use. Eg : soap, edible oil, textiles, toothpastes, fans etc. Consumer products are further classified as follows.

(A) Shopping basis (B) Durability basis.

(A) Shopping Basis

On the basis of the time and effort, buyers are willing to spend in the purchase of a product; we can classify the consumer product into three categories.

1. **Convenience products:** These goods are purchased frequently and with minimum efforts. They are meant for personal convenience. Newspapers, cigarettes, toothpaste, soaps, tea etc. are examples of convenience products.

Characteristics of Convenience products

1. These products are purchased at convenient location with least effort and time
 2. It has regular and continuous demand (essential goods)
 3. These products have small units of purchase and low prices.
 4. It has standardized price.
 5. The competition in these products is high and hence heavy advertisement is needed.
 6. Sales promotion or short term incentives are needed in the marketing of such products.
2. **Shopping products:** These products are purchased after a comparative analysis of quality, price, warranty etc. of competitive brands. Furniture, cloth, TV, fridge, Washing machine, Scooters, Cars are examples of such products.

Characteristics of shopping products

1. These are durable in nature
2. The unit price as well as profit margin of shopping products is generally high
3. The purchase of such products is pre planned.
4. Retailers generally play an important role in the sale of shopping products.

3. **Specialty products:** these products are purchased with special efforts. The consumers are aware of the products they want and they are willing to make special efforts to purchase it.

Eg(1) Rare collection of art work, antiques

(2) In our daily life we can see people going to a particular hair cutting saloon or restaurant or a tailor.

Features of specialty products

1. The demand for specialty products is relatively inelastic (low)
2. The price of such products are high.
3. These products are available at specific places only.
4. Aggressive sales promotion methods are to be adopted to inform about their availability features.
5. After sales services is needed for many of the specialty products.

(B) Durability/ Tangibility basis

On the basis of durability , product are classified into durable, non-durable and services.

- (i) **Durable products:** These goods are used for longer period and having many uses.. It provides high profit margin. It required greater personal selling efforts and after sale service..they purchased veryinfrequently.

Eg: TV, Refrigerator, Car etc.

- (ii) **Non-durable product:**These are products which have a short period of life. They consumed and exhausted very frequently. These products are command a small margin and available everywhere and are to be advertised heavily. They are purchased very frequently.

Eg: soap, Toothpaste, detergents, Soft drinks etc.

- (iii). Services services are intangible. Services have no tangible physical form, but their benefits are capable of being experienced by the buyers.

Eg: Dry cleaning, Services offered by a doctor, lawyer. Hair cutting, Postal services, watch repairing.

Characteristics of services

1. Services are intangible in nature
2. Services cannot be stored. They are highly perishable.
3. Services are highly variable.

II. Industrial products : These products are used for producing other products. They are the inputs in the production of other products. Eg : Tools, engines, Machinery etc.

Industrial products may further be classified as under

- a. **Raw materials**: These are converted into finished items. Raw materials are divided into two “ farm product” (eg: wheat,cotton,livestock fruits and vegetables) and natural products(eg Fish, iron ore, crude petroleum).
- b. **Supplies**: These do not become a part of the finished product but are necessary in manufacturing.Eg. nuts, bolts, lubricating oil etc.
- c. **Installations**:These consist of heavy machinery, factory sites, trucks and other items of high capital value.
- d. **Accessory equipment** : These comprise small lathes, portable drills and other items of low capital value.
- e. **Fabricated parts**: these are pre-produced items that become a part of the finished product.Eg;Tyre for automobiles, mouse for computers etc.

Characteristics for Industrial products

1. Number of buyers” The number of buyers of industrial product are limited.
2. Channel levels: Because of limited number of buyers industrial products are marketed through shorter channels of distribution(direct selling/ one channel)
3. Geographical concentration: Industrial markets are highly concentrated geographically.
4. Derived demand: The demand for industrial products is derived from the demand for consumer products.
Eg: demand for sugar cane will be derived from demand for sugar.
5. Role of technical considerations: Technical aspects assume greater significance in the purchase of industrial products.
6. Reciprocal buying: some companies may resort to reciprocal buying. For example , a company manufacturing vehicles buys tyres from another company, who in turn buys vehicles reciprocally.
7. Leasing out;- Instead of purchasing outright, procuring a lease basis is the trend today because of the heavy price of these products.

BRANDING

A product can be marketed under a brand name or a generic name. Generic name refers to the name of whole class of the product eg: a book, camera, tyre etc. If products are sold by generic names, it would be difficult to distinguish them from rival products. Hence most marketers brand their products. Branding is the process of identifying a product through a special name or symbol. Various items relating to branding are as follows.

BRAND:- A brand is a name, term, symbol or design or combination of these to identify the goods or services and to differentiate them from those of competitors. Eg: Coca-Cola, Bata, Lifebuoy, Dunlop etc. Brand name has two components

- (a) Brand name (b) Brand mark

(i).Brand name : That part of a brand which can be vocalized or utterable. In other words, brand name is the verbal components of a brand. Eg: Asian paints, Fiat car, Bata shoe, MRFTyre.

(ii).BRAND MARK: That part of brand which can be recognized but not utterable (pronounceable). Brand mark appears in the form of a symbol, design or distinct colour or lettering. Eg: Devil of Onida, Gattu of Asian paints. Etc.

TRADE MARK: When a brand name or brand mark is legalized it is called trade mark. Trade mark is a legal term. It refers to the manufacturer's legal right to use a brand name or brand mark. A registered brand is a trade mark. Therefore all trade marks are brands. But all brands are not trade marks.

Advantage of marketing

To the marketers:

1. Branding provides a distinctive image for the product among the consumers
2. Branding helps in advertising and sales promotion
3. It popularizes the product and widens the market
4. It creates goodwill and brand loyalty
5. It helps in the easy introduction of a new product
6. It brings repeated sales.

To Consumers:

1. Branding helps the consumers to identify the products.
2. Branding assures quality and standard of the product
3. It makes shopping easier

4. Branded products are sold at uniform prices
5. Use of branded products provides a psychological satisfaction to consumers.

Characteristics of a good brand (essentials of a good brand)

1. Brand should suggest something about the product-purpose, quality, benefits etc.
eg: Tiger biscuits
2. Brand name should be brief and simple .eg: Lux, Surf
3. It should be easy to pronounce, spell and remember. eg: Amul
4. It should be pleasing to the eyes and ears.
5. It should be capable of registration and legal protection.
6. It should be of a permanent nature
7. It should be unique and distinctive eg: Liril, Ariel, perk
8. It should create a good image.

PACKAGING

Package is the wrapper or container in which a product is enclosed or sealed. Packaging is the process of putting the goods in the package for the purpose of easy marketing. Packaging is necessary to reduce spoilage, breakage and leakage of the product in times of storage and transportation.

“ Packaging includes the activities of designing and producing the container for a product’
-Philip Kotler.

Packaging is helpful in demand creation. Packaging facilitates identity or individuality of the product.

A good package is an advertisement by itself. Many marketers called packaging a Fifth P's along with four P's ie. Product, price, Place and promotion. Packaging act as a silent salesman of the manufacturer.

Levels of Packaging

There are three levels of packaging which are

1. **Primary Packaging:** It refers to the product's immediate container. (eg: Plastic packet for socks, shirts etc). in sometimes , it is kept throughout the entire life of the product. Eg: Horlicks Bottle, Toothpaste tube, match Box.
2. **Secondary package:** it is the additional layers of production given to the product's immediate container. Eg: tube of tooth paste covered in a cardboard box.

3. **Transportation packaging:** It refers to further packaging of products necessary for storage or transportation. Eg: A coca manufacturer may send the bottles to retailers in thick plastic cover containing 20 or 50 bottles.

Importance of Packaging:

Packaging is important because of the following reasons

1. **Rising standard of health and sanitation:** Due to high standards of living. Consumers have mostly started buying packed goods because of minimum chances of adulteration.
2. **Self service Outlets:-** Self service outlets are now very much popular in cities and towns. So the traditional role assigned to personal selling is now replaced by packaging.
3. **Innovational opportunity:** because of some recent developments in area of packaging the scope for making of goods has increased. Foreg: Milk can be stored for 4- 5 days without refrigeration in the recently developed packaging materials.
4. **Product differentiation:** The colour, size, material etc. of package makes real difference in the perception of customers about the quality of the product.

Functions of packaging:

1. **Product identification:** packages helps the consumers to identify the products easily.
Eg; Colgate in red colour , can easily identify by its package
2. **Product protection:** packages protect the product from breakage, leakage, Contamination, temperature, evaporation, pilferage etc. It is the basic function of packaging
3. **Product attractiveness:** Beautiful packages attract the consumers. It is the used as a promotional tool.
4. **Product differentiation:** Packaging helps to differentiate the product from competitive products
5. **Convenience:** Packages provide convenience in handling, moving and storing the products.
6. **Preventing adulteration:** packaging helps to prevent adulteration of goods.

LEBELLING

The term 'labelling' means putting label on the package or the product. It may be a part of package or it may be a tag attached directly to the products. It is a tool used by the manufacturer to communicate the brand, grade, contents, price and other information about the products. It is a guide to shopping. A label

plays an important role in making the packaging and branding functions meaningful. Hence these three functions are closely related.

Functions of labeling

1. It gives instructions to use the product
2. Buyers can easily identify the product
3. It specifies the content of the product.
4. It helps the buyers to easily identify the product
5. It helps to standardization and grading of products
6. It helps to maintain uniformity of prices
7. It acts as a tool for advertising and sales promotion
8. It provides information required by law

Eg: The statutory Warning on the package of cigarette "Smoking injurious to health"

ESSENTIALS OF A GOOD LABEL

A good label should provide the following information

1. Name and address of the producer/ dealer
2. Gross /net quality of the product
3. Size, colour and appearance of the product
4. Raw materials used in production
5. Directions for the proper use
6. Date of packing and expiry
7. Maximum retail price including local tax

II. PRICING:

Price may be defined as the exchange of goods or services in terms of money. Pricing is the process of fixing price for the goods and services. Pricing is considered as a regulator of the demand of a product and effective competitive weapon.

Functions of Pricing

- Price should ensure minimum profit to owners
- Price should return the cost of product to manufacturer.
- Price should increase competitive strength of the marketer
- Price should be attractive and capable of increasing demand.

Factors affecting Price determination:

There are number of factors which affect the fixation of the price of a product. Some of the important factors are

1. **Pricing Objective:** price of a product depends upon the firm's objective. A firm may decide out of several objectives eg: profit maximization, a specific level of profit, target level of sales, a particular share of the market, prevailing market price etc. The price of the product must be in line with the firm's pricing objective
2. **Product cost:** Cost and price of a product are closely related. The price must cover all production cost and fair return of product. No business can survive for long without covering its costs. Cost is of two types. Viz Fixed and variable. The impact of these two costs should be considered while taking pricing decisions.
3. **Utility and demand:** the utility provided by the product and consumers demand set the upper limit of the price which a buyer is willing to pay. The price of a product is affected by the elasticity of demand of the product. If the demand of the product is elastic, high price may be fixed. On the other hand, if demand is elastic the firm should not fix high prices, rather it should fix lower prices than that of the competitors.
4. **Competition:** prices charged by competitors often act as the guide in a pricing decision. For eg: Maruti Udyog has to decide the price of its ZEN and ALTO cars keeping in view the competing brands like SANTRO, INDICA and PALIO.
5. **Government and Legal Regulations:** Prices of certain products are regulated by the government. eg: Edible oils, sugar, cement etc. In such cases, prices should be fixed accordingly Government can declare a product as essential product and regulate its price.
6. **Marketing Methods used:** pricing is also affected by other elements of marketing such as distribution system, sales promotion techniques, quality and amount of advertising, quality of salesmen, the distributor's attitude towards the price, customer services provides etc.

III. PLACE

In Marketing mix, place means taking decisions to make the products available to the customers for purchase. Making the products available to the consumers is known as distribution.. It involves two broad functions

1. **Physical distribution**
2. **Channels of distribution**

Physical Distribution

The term physical distribution refers to physical handling and movement of goods so that they are made available to consumers at the right place at the right time, in the right condition and at the lowest possible cost.

Physical distribution means movements of goods from place of production to the place of distribution. Physical distribution provides time and place utility. Important activities involved in the physical distribution include transportation, warehousing, material handling and inventory control.

Components/Elements of Physical Distribution

The main components of physical distribution are explained as follows.

1. **Order Processing:** It is the first step in physical distribution system. Order processing includes receipts of order from customers, arrangement of goods and receipts of payment. Speedy and accurate order processing increases customer satisfaction and sale.
2. **Transportation:** Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It provides place utility. There are different modes of transportation such as road, rail, air, water etc. Each of these modes has its own merits and demerits in matters of speed, dependability, cost, capacity, availability etc.
3. **Warehousing:** warehousing refers to the act of storing and assorting products in order to create time utility in them. Warehousing enables the firm to adjust the supply of goods to meet the demand. Warehousing decision include decisions relating to type of warehouses and location of warehouses. A firm can use its own warehouses or rented warehouses. Warehousing can ensure regular supply according to the demand and thus keep the price stable. It ensures regular supply of goods.
4. **Inventory Control:** Inventory means the stock of raw materials, semi-finished goods and finished goods held in anticipation of use or sales. It is always necessary to maintain adequate inventory to avoid loss of sales. Inventory control implies control over the size of inventory. Inventory control is the process of deciding what and how much of various items are to be kept in stock. The basic objective of inventory control is to minimize investment in inventory and ensure adequate stock of each item at the same time. Economic Order Quantity (EOQ), ABC analysis and Just In Time (JIT) are the important techniques used for inventory control.

Major factors determining Inventory level are:

1. **Firm's Policy regarding the level of customer service to be offered:** Higher the level of service, greater will be need to keep more inventories.

2. **Cost of Inventory**: Which include holding cost (eg: cost of warehousing, tied up capital etc) and the manufacturing cost.
3. **Degree of accuracy of the sales forecasts**: In case more accurate estimates are available, the need for keeping very high level of inventory can be minimized.
4. **Responsiveness of the distribution system**: In case the time requires to respond to the additional demand for the product is high, there is a need to maintain higher inventory. But if the additional demand can be met in less time, the need for inventory will also be low.

CHANNELS OF DISTRIBUTION

Channel of distribution is the path through which products move from the place of production to the place of ultimate consumption. Channel of distribution is the connecting link between the producer and the consumer to sell the products. It creates the utilities of time, place and possession by bridging the gap between the point of production and the point of consumption.

The potential buyers are scattered over a wide geographical area. In order to contact these people, the service of intermediaries is essential. Such Intermediaries may be wholesaler, retailer or agents.

Functions of Distribution channel

A channel of distribution helps the movement of goods from producers to consumers. In the course of distribution members (Middlemen) of the channel perform the following functions

1. **Sorting**: The middlemen collect goods from various sources. These goods are different in quality, size, nature, colour etc. The intermediaries sort these goods into homogeneous groups on the basis of the size, quality, nature etc.
2. **Accumulation**: This function involves accumulation of goods into larger homogeneous stocks, which maintaining continuous flow of supply.
3. **Allocation**: Allocation involves breaking homogeneous stock into smaller marketable lots.
4. **Assorting**: Middlemen procure variety of goods from different sources and deliver them in combinations desired by the customers. A retailer collects a variety of consumer goods and delivers them to households.

Eg: A cricket player may need a bat, a ball, wickets, gloves, helmet, a T-shirt and pair of shoes. No manufacturer produces these products in desired combinations. Middle men procure such goods from different sources and deliver them in combinations desired by customers.

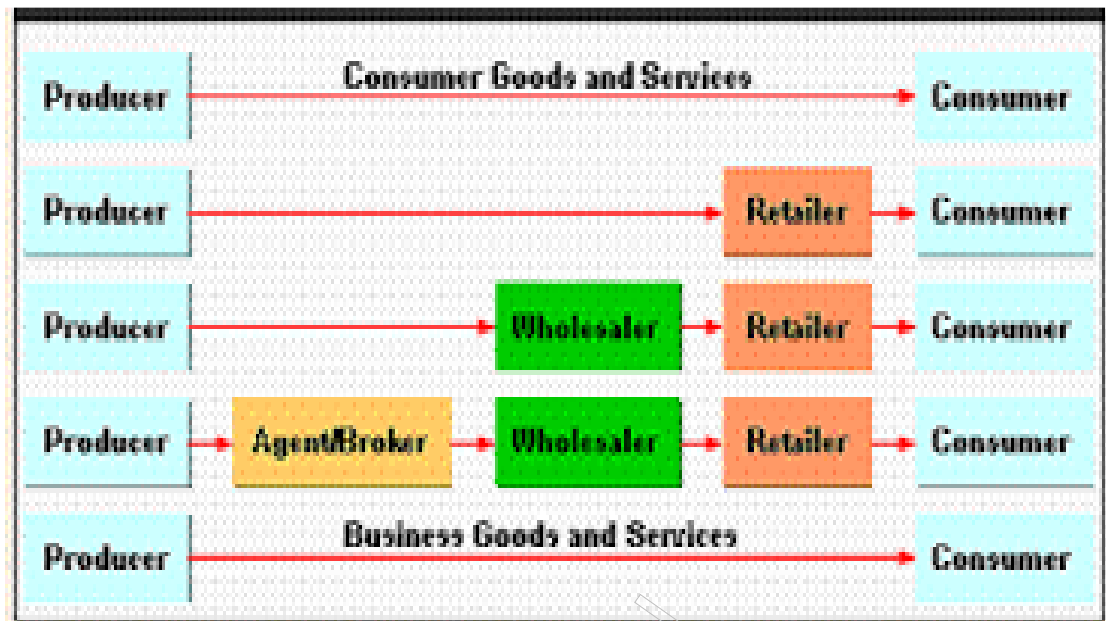
5. **Product promotion:** The middlemen advertise the product kept with them. They also do certain sales promotion activities like demonstrations; special displays etc. to increase the sale of products.
6. **Negotiation:** They negotiate and try to reach agreement on price and other terms of sale.
7. **Risk taking:** They bears the risk of changes in demand, damage in transit, theft, spoilage, destruction etc.

TYPE OF CHANNELS/ CHANEL LEVELS

A distribution channel connects the producer and the consumer. Several intermediaries function in between them. The number of intermediaries determines the length of a channel. It is also called channel levels or type of channels.

Different channel of distributions are:

1. **Direct Channel/ZERO level/ Direct marketing:** Direct channel of distribution means making goods available to consumers directly by the manufacturer, without involving any intermediary. Eg: Mail order selling, Internet selling, Selling through own sales force/ own retail outlets (eg. Bata, McDonald, Eureka Forbes etc.)
2. **Indirect Channels:** Indirect channels of distribution mean making goods available to the consumers by employing one or more intermediaries.
 - (a) **One level:** In this type, the intermediary is the retailer firm directly supplies the product to retailer who sells the product directly to customers.
Eg: MarutiUdyog sells its cars through company approved retailers
3. **Two level channels:** Under this channel, the manufacturer sells to one or more retailers who in turn sell to the ultimate consumers. This is the most commonly adopted distribution network for most consumer goods like soaps, oils, clothes,,rice,sugar etc
4. **Three level Channels:** This is the longest Channel of distribution. In this path, one more middlemen is added . So there are three intermediaries' involved-agents, wholesalers and retailers. Manufacturers use their own selling agents or brokers who connect them with wholesalers and then the retailers.



Factors determining Choice of channels

It is essential to make right choice of channel of distribution. The choice of the appropriate channel depends on various factors

1. Product related factors 2. Market related Factors 3. Company Related factors
4. Competitive factors 5. Environmental Factors

1. **Product Related Factors:** Various product related factors are as follows

- (a) **Nature of Product:** The Industrial products are usually technical, and expensive products purchased by few customers. It requires shortest channel (Direct Channel). Consumer product are standardized products which can be easily sold through intermediaries.
- (b) **Perishable Vs Nonperishable products:** Perishable products like fruits, vegetables and dairy products are best sold through short channels. While non-perishable products like soaps, toothpaste etc. require longer channels to reach wide spread consumers.
- (c) **Unit value:** When unit value of a product is high direct channel is effective. Eg: Gold jewelry, Car etc..On the other hand less costly product like cosmetics, detergents, soaps are sold through longer channels.

2. **Market Related factors:** The following factors relating to the market are particularly significant in the choice of a channel of distribution

- a. **Nature of Market:** In a consumer market longer channels are used whereas in industrial market shorter channels are preferred.

- b. **Size of the market:** In case the number of buyers is small, short channels are used. But indirect channels are required when the market consists of large number of customers.
- c. **Geographical situation:** If the buyers are concentrated in a limited area, direct selling can be used. But widely scattered customers require the use of middlemen.
- d. **Size of order:** If the size of order is small, as in the case of most consumer products, large number of intermediaries may be used. But if size of order is large, direct channels may be used.

3. Company related factors: The characteristics of the company which influence the choice of distribution channels. They are

- (a) **Financial strength:** A company having large amount of funds can create its own channel of distribution. But financially weak companies will have to depend upon middlemen.
 - (b) **Desire for control:** Companies which want a tight control over distribution prefer direct channels. Otherwise indirect channels may be used.
 - (c) **Management:** If the management of a firm has sufficient knowledge and experience of distribution, it may prefer direct selling. On the other hand, firms whose management has not sufficient knowledge have to depend on middlemen.
4. **Competitive factors:** The choice of channel is also affected by the channel selected by competitors in the same industry. If the competitors have selected a particular channel, the other firm may also like to select the similar channel. Sometimes, we may avoid the channels used by the competitors
5. **Environment factors:** Other important factors affecting the choice of channels of distribution include environmental factors such as economic condition and legal constraints. eg: In a depressed economy, marketers use shorter channels to distribute their goods.

IV .PROMOTION

Promotion is the fourth important element in the marketing mix of a company. Promotion is a process of communication involving information, persuasion and influence. Thus promotion means informing customers about the product and service and stimulating them to buy it. It includes all activities that are undertaken to increase sale.

Promotion mix refers to combination of promotional tools used by an organization to achieve its communication objectives. The important elements /tools of promotion mix are

(a) Advertising (b) Personal Selling/ salesmanship, (c) Sales promotion and (d) Advertising

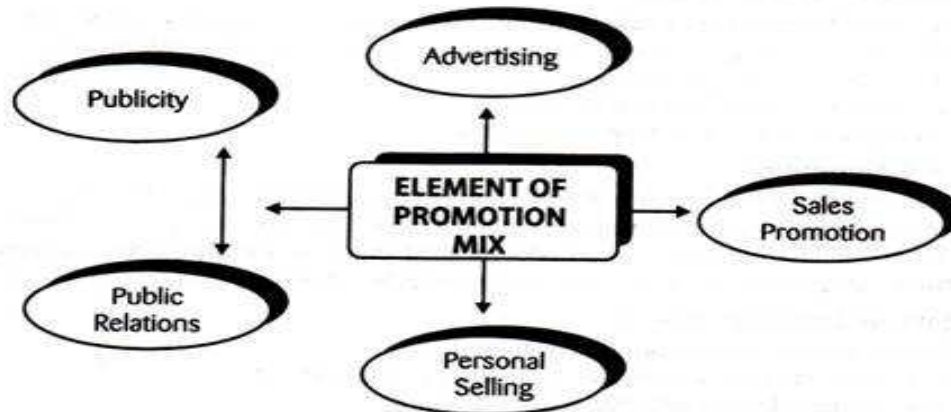


Figure 1: Elements of Market Promotion Mix

(a). ADVERTISING

Advertising is most widely used form of product promotion. It is a non-personal presentation of an idea or a product. It involves transmission of standard message to a large no. of people. The message is transmitted is known as “Advertisement”.

Definition

“Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor” - American Marketing Association

“Advertising is mass communication of information intended to persuade buyers as to maximize profits”
–Little Field

Features Of advertising

1. **Non personal communication:** It is a mass non personal communication reaching large group of buyers. The advertiser has no face to face contact with the public/customers. It create awareness among the consumers about the product.
2. **Paid form of communication:** Advertising is a paid form and hence commercial in nature. The advertiser has to pay to the advertising media for the space or time used to communicate the message to customers.
3. **Identified Sponsor:** Advertising is identifiable with its sponsoring authority or advertiser. It should discloses the sources of opinions and ideas, it presents.

Merits of Advertising

Advertising plays a very vital role in modern business and performs several functions

Benefits to manufacturers and Traders

1. Advertising helps to create a steady demand for the products of a manufacturer.
2. Advertising creates new customers and widens the market for a product.
3. Advertising helps in creating a good image of the firm and reputation for its product.
4. Advertising makes it easier for sales men to approach the potential customers
5. Advertising reduces the cost of distribution by popularizing the products
6. Advertising promotes large scale production. This in turn reduces the total cost per unit of production

Benefit to consumers

1. Advertising makes purchasing easy for the consumers
2. It saves time and efforts in selecting the products
3. IT educates the consumers about the various use of goods and also how to use them.
4. It compels the producer to maintain high standard.
5. Advertising is the connecting link manufacturer and the consumers. It eliminates the middlemen.

Benefits to society

1. Advertisement generates employment opportunities directly and indirectly.
2. Advertising is an effective tool which raises the standard of living of the people of the country.
3. Advertising educates the members of the community in the various uses of products.

Evils/ limitation/defects of advertising

Advertising is often criticized as being economically wasteful and socially undesirable. The main points of criticism against advertising are given below

1. Advertising sells people things they neither need nor want
2. People are not really influenced by advertising
3. Advertising results in higher prices
4. Advertising is false and misleading
5. Most advertising is irrelevant
6. Most advertising exhibits bad taste or sponsors it
7. Advertising is too intrusive
8. It tends to create monopoly
9. Advertising regulates discussions of public issue through its control of the news media

10. Advertising is often emotional rather than rational
11. Advertising creates unhealthy competition among the businessmen.
12. Advertising is regarded as an economic waste. A considerable portion of advertisement escapes the attention of consumers.

(b). PERSONAL SELLING/ SALESMANSHIP

Personal selling or salesmanship is the process of informing, assisting and persuading people to buy a product through direct personal contact. It involves face to face communication between a seller and a buyer. In this technique of promotion, sales persons make oral presentation to one or more customers for the purpose of making sale. Salesmanship is the art of persuading the prospective buyers to become real buyers. It is the backbone of selling

Definition:

“Salesmanship is the process of assisting and persuading a prospective buyer to buy a product in a face to face situation” -American Marketing Association

“salesmanship is an attempt to induce people to buy goods” - W.G. Carter.

Features of personal selling

1. It is a personal form (face to face) of communication
2. It involves contact with a limited number of persons due to one to one interaction
3. Personal selling makes use of spoken words or oral messages
4. It is highly flexible, because the salesman can make changes in dealings according to the situation
5. It is an educating process. Salesman provides information on the use and utility of the product.
6. Personal selling is a two way communication process. The seller and the buyer talk to each other.

Merit of personal selling

Personal selling involves identification of prospective customers and direction of sales efforts towards them.

1. Salesmanship ensures the present and future sales
2. There is a lot of flexibility in personal selling. The sales presentation can be adjusted to fit the specific needs of the individual customers.
3. Personal selling educates customers about the features and uses of the product.

4. A good salesmen develops a friendly and personal relationship with the customers. this relationship helps to improve the sales in nature.

Role of personal selling

The personal selling plays an important role in the marketing of goods and services. The importance of personal selling to businessmen, customers and society are described below

(A). Importance to businessmen

1. **Effective promotional tool** : personal selling helps in influencing the customers about the merit of a product and thereby increasing its sale
2. **Flexible tool**: It is more flexible than other methods of promotion such as advertising and sales promotion. It can be adopted in varying purchase situations
3. **Minimizes wastage of efforts**: The possibility of waste of efforts in personal selling is minimum
4. **Customer attention and relationship**: personal selling helps in creating interest and develop lasting relationship between the sales persons and the customers. This is very much needed to achieve these business objectives
5. **Role in introduction of a new product**: Personal selling is a must in the introduction stage of a new product. It helps in persuading the customers to buy the products
6. **Personal rapport**: Personal relationship with customers increases the competitive strength of an employee.

(B). Importance to customers

Personal selling provides the following benefits to the customers

1. **Help in Identifying Needs**: personal selling helps the customers in identifying their needs and satisfying them.
2. **Latest market Information**: Personal selling provides the customers with latest market information regarding price changes, product availability, shortage, introduction of new product etc.
3. **Expert advice**: expert advice and proper guidance help customers in making better purchase
4. **Induce customers**: Inducing the customers to purchase new products helps in improving their standard of living.

(C). Importance to society

Various benefits offered to society are:

1. **Convert latent demand into effective demand:** convert latent demand into effective demand leading to more products and services and hence economic growth of the nation.
2. **Employment opportunities:** personal selling offers greater income and employment opportunities to the unemployed youth.
3. **Mobility of sales people:** There is a greater degree of mobility in sales people, which promotes travel and tourism in the country.
4. **Product standardization:** personal selling enables product standardization and uniformity in consumption pattern in a diverse society.
5. **Career Opportunities:** personal selling provide attractive career with greater opportunities for advancement and job satisfaction to young people.

DIFFERENCE BETWEEN ADVERTISEMENT AND PERSONAL SELLING

Advertisement	Personal selling (salesmanship)
1. Impersonal form of communication	1. Personal form of communication
2. Advertisement covers vast area	2. Personal selling is restricted to specific customer
3. Not flexible	3. Flexible
4. Advertisement is less costly	4. Personal selling is more costly
5. Paid form of Communication	5. non paid form of communication.
6. There is an identifiable Sponsor	6. There is no identifiable sponsor
7. Lacks direct feedback	7. Direct and immediate feedback
8. Transmission of standardized messages	8. Sales talk according to customer's background and needs
9. such as television, radio, newspaper etc. Use mass media	9. Make use of sales persons

(C).SALES PROMOTION

Sales promotion refers to all those activities which promote sales except personal selling and publicity. Sales promotion is the connecting link between personal selling and advertising. Sales promotion is considered as a special selling efforts to accelerate sales. Sales promotion activities include offering cash discount, sales contests, free gifts and free distribution etc.

Merits of sales promotion:

1. It helps to create demand for the products
2. It helps to increase the sales
3. It provides strong incentive to buy the goods immediately
4. It helps to meet competition effectively

5. It helps to enhance the reputation of the firm
6. It helps to introduce new products by creating initial demand.

Demerits of sales promotion

1. Sales promotion activities are having temporary and short life. The benefits are also short lived for three or four months.
2. Brand images is affected by too many sales promotion activities
3. Sales promotion activities are non-recurring in their use.
4. Consumers may feel that incentives are offered to sell substandard products.
5. It is expensive and leads to a rise in the price of the products.

Commonly used sales promotion tools

1. **Rebate:** As per this technique the product is made available at a specified price less than the original price. The amount deducted from the original price is termed as rebate.
2. **Discount:** under this technique a certain percentage of price is reduced from MRP (Maximum Retail Price) at the time of sale. The deducted portion is called discount. Generally this technique is applied in special seasons , such as festivals, school reopening etc.
3. **Refund:** Here the seller offers refund of part of price collected from the seller on production of proof of purchase say: return of empty foils or wrapper.
4. **Product combination/Premium/gift:** Under this method a free gift is given to buyer along with the product. He bought. Eg: A tooth brush is given along with tooth paste.
5. **Quantity Gift :** Here the marketer offers additional quantity of products along with the quantity purchased by the buyer.
Eg: A paste's offer of" 40% extra" or Buy 2 get 1 free, 100 g extra with 1 kg pack of tea etc.
6. **Instant Draws and assigned Gift:**For e.g.: "scratch a card" or "Burst a cracker" and instantly win a Refrigerator, Car, T-shirt, computer with the purchase of a TV.
7. **Lucky Draw:** While buying a product a coupon is given which is to be deposited in a box filling the name. Either at the end of the day or after a particular period the winner is selected by lucky draw method.

8. **Free samples:** Free samples of the product are distributed to the consumers through door delivery, by post or attached to other products. Samples help the consumers to experience the utility of the product.
9. **Contests:** Some firms hold contests for consumers. Consumers who buy the firm's products are given an opportunity to participate in the contest. Winners are given attractive prizes.
10. **Full Finance @ 0% :** Marketers of consumer goods , automobiles etc offer easy financing scheme. Eg: 24 easy installments. So full amount needn't be paid at the time of purchase but in easy installments without interest.
11. **Money refund offer:** If the buyer is not satisfied , the whole or part of the price will be refunded to the buyer.

(d). PUBLICITY: Publicity is a non-personal form of communication. It is generally takes place when favorable news is presented in the mass media about a product or service. It is an unpaid form of communication. It does not involve any direct expenditure by the manufacturer. There is no identified sponsor for the communication.

PUBLIC RELATIONS

Public relations refer to the communication activities designed to create and maintain a favorable image of an organization. It is a planned effort by an organization to influence the attitude and opinions of a group of customers. Publicity attracts consumers towards the company and its products. Publicity is the practice of managing communication between an organization and public. Often public relations are conducted through media. It is used to build rapport with employees, customers, investors, shareholders or the general public

Public relation includes:

- Building awareness and favourable image for a company
- Building goodwill among organizations target market.

Functions of Public relations

The public relations department performs the following functions

1. **Press relations:** The public relations department is in contact with the media to present true facts and a correct picture about the company.
2. **Product publicity:** New product requires special efforts to publicise. The company can make people draw their attention to new products by conducting sports and cultural events.

3. **Corporate Communication:** the image of the organization needs to be promoted through communicating with the public and the employees within the organization. This is done through the help of news letters, audio visuals etc.
4. **Lobbying:** the organization has to often deals with government officials and ministers in various department in respect to matters relating to trade and commerce. The Public Relation Department has a big role to play in
5. promoting or defeating regulations that affect them.
6. **Counselling:** The public relations department advises the management on general issues which affects the public and position of the company.

Advantages of Public Relations

Good public relations have the following advantages:

1. **Credibility:** Public relation efforts and their effects are more credible than advertising.
2. **Economical:** The cost of public relation is very low as compared to the cost of advertising
3. **Receiving more attention:** Public relation messages are in the form of news items, so they receive more attention than advertisements.
4. **Positive Image: Effective** public relation activities develop a positive image of the organization.

Public Relations Tools

In order to create a public image , the public relations professionals use various methods and tools. These include:

1. **News:** This is in the form of news coverage relating to corporates stories or events. This will place the company favourably in the eyes of the public
2. **Speeches:** Speeches by company executives at the various forum of shareholders, bankers, select customer groups and employees produce company image
3. **Events:** events are big image building techniques. Eg: conferences, press tours, multimedia presentations etc.
4. **Written materials:** Written materials sent to relevant public group can influence their opinion eg: annual reports, brochures, newsletters etc.
5. **Public service activities:** Business firms now a days hand with other voluntary organizations to undertake welfare activities to create a favourable image

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