Introduction:

Marketing begins with human needs and wants. People need food, water, air, clothing and shelter to survive. These exist in the nature and the marketer does not create them. Wants are desires for satisfiers of needs. Wants which are supported by purchasing power becomes demand. Marketers influences wants and demands by making products attractive, affordable and easily available to the target group of consumers. For ex. Marketers may provide an idea to get a Parker pen to satisfy the need for social status.

In simple words, “Marketing can be described as the art of selling products”.

The term marketing is derived from the word **“market”.**

MARKET:

Meaning:

Market is generally understood as the place or geographical area where buyers and sellers meet and enter into transactions involving transfer of ownership of goods, services, securities etc.

The market denotes:

(i) A place where buyers and sellers interact
(ii) The aggregate demand for a commodity
(iii) The forces or conditions within which buyers and sellers make decisions.
(iv) Transfer of title to goods and services.
(v) Flow of goods and services from the producer to the consumer or user.
(vi) The organization that regulates the purchase and sale.

Goods, services and communication

Buyers $\longrightarrow$ Sellers

$\longleftarrow$

Money and information

Definition:

According to Philip Kotler, “A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want”.

Classification of Markets:

The markets are classified under the following categories:

On geographical basis:

On geographical basis the markets are divided into

(i) Local markets – a market where perishable goods are available.
(ii) National markets – a market where the goods that are sold within the country are available. Most of the products today have acquired national markets.
(iii) International markets – a market where exported and imported goods are available
(iv) Rural and urban markets – markets of rural and urban areas. On the basis of location of markets either in rural or urban.

Basis of economy:

On economic basis the markets are divided into

(i) **Perfect markets** – it is purely an economic term and does not exist in reality. Such markets are economically possible only where demand and supply factors are in perfect harmony. A perfect market has three essential features:
  (a) There should be a group of sellers and buyers
  (b) There should be effective competition between buyers and sellers for the purchase and sale of a commodity.

(c) Only one price should prevail for the same commodity in the same market.

(ii) **Imperfect markets** – this refers to a market where some kind of maladjustment in demand and supply is experienced. Every market is in a way, imperfect.

Basis of volume:

On the basis of volume the markets are divided into

(i) **Wholesale markets** – it is a market where the wholesaler is the supplier and retailers are the buyers. Here goods are bought and sold in bulk quantities.

(ii) **Retail markets** – this market is the last link in the chain of distribution. It directly deals with consumers and hence sometimes referred to as a consumer market. Here goods are sold in small quantities, preferably to the ultimate consumers.

Basis of time:

On the basis of time the markets are divided into:

(a) Very short-period market – it means the existence of the market for a day and at a very particular place. It started in a village economy but exists even today. Such markets generally sell perishable goods.

(b) Short-period market: this market is otherwise known as a weekly market or a fair. It is a centre of local trade which was very prominent in village economy where perishables and consumables were traded. Such markets are in existence even today in remote villages.

(c) Long – period market – this market is meant for selling durables. The above two markets are primarily meant for perishable commodities. It is the long-period market which paved the way for present retail market.

Basis of commodities:

On the basis of commodities the markets are divided into

(i) **Commodity market** – it is a market in which different kinds of commodities are sold. Commodity market is further divided into:

- **(a) Produce exchange:** in such markets only certain commodities are sold and brought. Produce exchanges are set up by buyers and sellers of a particular commodity. They are also known as 'commodity exchange'. These markets are regulated and controlled by certain rules.
- **(b) Manufactured goods market:** manufactured goods are sold
- **(c) Bullion market:** deals with valuable metals like gold and silver

(ii) **Capital market** – second type of market classified on the basis of goods. This market is further divided into:

- **(a) Money market:** money is bought and sold i.e., money is lent and borrowed. Short-term borrowing is undertaken in money market and long-term borrowing in capital market.
- **(b) Foreign exchange market:** currencies of different countries are purchased and sold this market plays an important role in the international trade. It arranges foreign currency for importers to enable them to buy and for exporters in converting foreign currency into local currency.
- **(c) Stock market or security market:** it is also known as stock exchange. This market came into being along with the organization of joint stock companies. The shares of companies and similar types of instruments are dealt in this market.

Basis of nature of transactions:

On the basis of type of transactions the markets are divided into

(i) **Spot market –** it is a part of organized market such as a commodity exchange. In a spot market, physical delivery of goods takes place immediately.

(ii) **Future market –** it is the counter part of spot market. In such markets no physical delivery of goods takes place and future contracts are made.

Basis of regulation:

On the basis of regulation the markets are divided into:

- **(i) Regulated markets** – these markets are regulated by statutory measures. Produce exchanges and stock exchanges are examples of this.
- **(ii) Unregulated or free markets** – these markets are uncontrolled. They are left free and mostly operate according to demand and supply.

MARKET SEGMENTATION:

The process of dividing a market into segments is known as market segmentation.

DEFINITION:

The process of taking the total heterogeneous market for a product and dividing into several submarkets or segments, each of which tends to be homogeneous in all significant aspects.

BASES OF MARKET SEGMENTATION:

The various segments that are in vogue are as follows:

1. Geographic segmentation
2. Demographic segmentation
3. Psychographic segmentation
4. Behaviouristic segmentation

Geographic Segmentation:

Chronologically, this kind of segmentation appeared first. For planning and administrative purposes, the marketer will often find it convenient to subdivide the market into areas such as nations, states, regions, cities etc. in a systematic way. The great advantage of adopting this scheme is that standard regions are widely used by government and it facilitates collection of statistics. Most of the national manufacturers split up their sales areas into sales territories either state-wise or district-wise.

Demographic segmentation:

Under this method, the consumers are grouped into homogeneous groups in terms of demographic similarities such as age, sex, educational, income etc. this is considered to be more purposeful since the emphasis ultimately rests on customers. The variables are easy to recognize and measure than in case of the geographic segmentation as persons of the same group may exhibit more or less similar characteristics. For ex, in the case of shoes, the needs and preferences of each group could be measured with maximum accuracy.

Psychographic Segmentation:

In this type of segmentation, buyers are divided into different groups on the basis of personality and life style. Marketers create brands to suit consumer personalities. Life styles influence product interests. Goods which a person consumes express his/her life style.

Behavioral segmentation:

In this case, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Main behavioral variables are occasions, loyalty status, volume etc.

MARKETING:

"Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others" – Philip Kotler

DEFINITION:

According to Institute of Marketing, "Marketing is the management process responsible for identifying anticipating and satisfying customer requirements efficiently and profitably".

According to American Marketing Association, “Marketing is an organizational function and a set of processes for creating, capturing communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stake holder”.

OBJECTIVES OF MARKETING:

The objectives of marketing are:

1. To increase the sales revenue
2. To improve and maintain the image of the product or business
3. To increase the market share
4. To target a new market
5. To target a new market segment

FEATURES OF MARKETING:

Good marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general. The main features of marketing are:

Marketing is consumer-oriented:

A business exists to satisfy human needs. Business must first find out what the consumers want and then produce goods according to the needs of the consumers. What is offered for sale should be determined by the buyer rather than by the seller.

Marketing starts and ends with the consumer:

In marketing it is highly essential to know what the customers really want. This is possible only when information is collected from the consumers. Marketing research and marketing information system, emerged as a full-fledged function of marketing.

Modern marketing precedes and succeeds production:

In current scenario, marketing activities must start far ahead of production. The marketing through its studies and research will determine for the engineer, designer and the manufacturing man, what the customer wants in a given product, what price he is willing to pay, and when and where it will be wanted.

Modern marketing is the guiding element of business:

Marketing has become a pervasive force that guides a business today. It involves the integration of a number of activities from the conception of a product idea to its profitable selling and ultimate consumption. Sustained economic growth depends to a large extend on the performance of marketing activities, because it is only through marketing that the demand for goods and services is stimulated. This stimulation leads to the multiplication of products and ultimately leads to higher production.

Marketing is a science as well as an art:

Marketing is inter-disciplinary in nature, orientation and design. It has borrowed heavily from economics, law, psychology, anthropology, sociology etc.

Marketing is a system:

Marketing is a system consisting of several interdependent and interacting sub-systems. It obtains the inputs from the environment, transforms these inputs and supplies the output (customer satisfaction, profits etc.).

Exchange process is the essence of marketing:

All marketing activities revolve around exchange process. Exchange implies transactions between buyer and seller. The seller hands over a product or service to the buyer who in turn gives money. There is also exchange of information between buyers and sellers.

Marketing is goal-oriented:

Like other business, marketing seeks to achieve some useful results. The ultimate aim of marketing is to generate profits through the satisfaction of human wants.

Marketing is a process:

It comprises of series of functions which are interrelated. It is a dynamic process because it keeps on adjusting to the changes in the environment of business. Marketing is a social process and it is concerned with human needs. Marketing is a managerial process in so far as it involves the functions of planning and control.

IMPORTANCE OF MARKETING:

A high level of marketing activity is a prerequisite for a high level of economic activity. At present the urgency is increased for marketing and not for increased production. The marketing is important in the following ways.

(i) Marketing converts latent demand into effective demand
(ii) Marketing process brings new varieties of useful and quality goods to consumers. This raises the standard of living.
(iii) Increase in the national income
(iv) New employment opportunities

CLASSIFICATION OF PRODUCTS:

The goods can be classified into 3 groups. They are

(i) Physical goods – Physical goods are quantitative, they are tangible.
(ii) Services – Services are qualitative. They are intangible
(iii) Ideas – ideas are opinions offered.

For ex: A restaurant supplies goods (soft drinks), services (seating and air-conditioning) and an idea (save time).

APPROACHES TO MARKETING:

Marketing can be approached from various angles for an in-depth understanding of the complexities involved. The different approaches are:

(a) Product or Commodity Approach
(b) Industrial Approach
(c) Functional approach
(d) Decision – making or Management Approach
(e) Legal Approach
(f) Economic Approach
(g) System Approach

Product or Commodity Approach:

This approach undertakes the study of marketing on the basis of commodity. The marketing situation of each product is studied under the following basis: sources and conditions of supply, marketing organizations and policies, involvement of different middlemen, characteristics and extend of the market of the product, etc. this approach is termed as “Descriptive Approach” and that itself is claimed to be its advantage. The commodity serves as a focus around which organizational, institutional and managerial aspects of marketing are studied.

Advantage:

- It is capable of giving a broad introductory view of marketing if it is combined with an Industrial Approach

Disadvantage:

- It is time consuming, since it depends upon the products.

Institutional Approach:

In this analysis, the description and analysis of different institutions engaged in marketing are undertaken. It plays special attention to the problems and operations of each type of marketing institutions. The institutions normally include producers, wholesalers, agents, retailers and facilitating institutions engaged in activities such as transportation, warehousing etc. these institutions individually, are the cells of the marketing body and in their inter-relationships 'cells' constitute the functional part of marketing body. The activities performed by each institution form part of the whole area of marketing. This study emphasizes the differences in types of institutions, services performed, merchandise handled and the cost of operation.

Disadvantage:

- It does not provide adequate understanding of marketing.

Functional Approach:

The functional approach splits down the field of marketing into few functions such as buying, selling, transportation, storage, standardization, grading, financing, risk-taking and marketing research etc. the purpose of such a split-up is to enable one to separate the essential from the non-essential elements.

Disadvantage:

1. An undue emphasis on functions of marketing does not permit one to know how these functions are applied to specific business
2. The marketing functions are so numerous that it is difficult to eliminate the unnecessary from the necessary functions.
3. This approach is also repetitive to some extent.

Decision-Making or Management Approach:

This approach is based on the fact that marketing is purely a management function. The changes in marketing are mainly due to two factors: controllable and uncontrollable.

Uncontrollable factors: economic, sociological and political forces.

Controllable factors: prices, advertising and personal selling.

Disadvantage:

- It depends only on the application side of marketing problems. Therefore it is incapable of giving an overall idea about the subject theoretically.

Legal Approach:

It concentrates only on one aspect, the effect of transfer of title in a legal way. Regulatory aspects alone are studied in this approach. There are numerous enactments passed in our country which regulate or to a large extend, control marketing activities. For ex: Common Carriers Act, Sales of Goods Act etc.

Economic Approach:

In the economic approach, marketing is considered in a narrow sense, because the economist is concerned only with the problems of value, demand and price. The value and price, and demand and supply factors are important in market mechanism. But such an approach alone is incapable of giving the whole idea of marketing.

System Approach:

This is an advancement of the management approach. The system is an organized body of independent parts that have spread but identifiable areas of operation. For instance, business as a whole is a body, but is composed of separate functional areas, such as production, engineering, personal, marketing etc. these functions could be split down further into smaller parts. Accordingly, marketing has product planning, pricing, promotion, distribution etc. as subsystems. Each of these functions is independent but they are independent also. They are continually interacting to achieve the aim of the system as a whole.

EVOLUTION OF MARKETING CONCEPT:

The traditional objective of marketing had been to make the goods available at places where they were needed. This idea was later on changed by shifting the emphasis from 'exchange' to 'satisfaction of human wants'. As human needs and wants multiplied and technological progress supplemented such developments, the scope of marketing function had to be enlarged. In this process traditional ideas on marketing were replaced by modern concepts. The stages in evolution of marketing are,

(a) Self-Sufficient Stage
(b) Exchange-oriented Stage
(c) Production-oriented Stage
(d) Sales-oriented Stage
(e) Marketing-oriented Stage
(f) Consumer-oriented Stage
(g) Management-oriented Stage

Self-sufficient Stage:

After the stage of 'nomads' people started to settle on the banks of rivers. This has led to starting of economic activities, via, Agriculture. But each family then was a self-sufficient unit as far as production and consumption functions was concerned. They produced what they wanted to consume and practically no surplus was available to initiate the process of exchange. Hence, it may be stated that the concept of marketing was absent in this stage.

Exchange-oriented Stage:

When nomads chose to live permanently at river banks and continuously engaged in agricultural and applied operations, the problem of surplus production came. This necessitated exchange of surplus products with others. In order to smooth out exchanges, 'Barter System' came into vogue, though the latent inconveniences of such a system were felt only a little later. It was gradually realized that the double coincidence of wants could be attained only if the products are brought to a central location so that exchange will take place smoothly. Thus 'markets' came into existence. The shift from self-sufficiency to the exchange orientation may, therefore, be considered the first stage in the historical evolution of the term marketing.

Production-oriented Stage:

1869-1930 – "Make what you know how to make"

The next stage came with the dawn of the Industrial Revolution. It was believed that if the product is of quality and priced reasonably, nothing would prevent the producers from achieving satisfactory sales and profit. This also led to a wrong belief that proper and timely communication to the buyer was not an inevitable adjunct in the process of selling. It appears that producers gave more emphasis to production rather than consumption as the ultimate end and objective of trade and commerce. In essence, this stage is one where the role of marketing was rather ignored.

Sales-oriented Stage:

1930-1950 – "Get rid of what you have"

The ripple effect of Industrial Revolution did not stop with the technological changes in industrial activities alone. It caused major social changes; there was a shift from agriculture to industry, increase in living standards, development of standard and communications, growth of corporate form of organization, etc. all these changes necessitated an organized marketing procedure. At this stage everyone started realizing the purpose and importance of marketing. It assumed that consumers will normally not buy enough unless approached with a substantial selling and promotional effort. Under this concept the greater emphasis was on increasing the sales than on customer satisfaction. This was possible then, because the demand usually outstripped supply.

Consumer-oriented Stage:

1960-1990 – "Have what you can get rid of with responsibility"

The next stage that followed, however, witnessed a charged outlook of producers towards marketing. It became imperative to give equal consideration to production as well as consumption. Competition became keen. During this stage it was realized that measuring consumer needs or behavior alone was not enough. 'Customer satisfaction' should be the real and correct perspective on which marketing policies of an organization should be built. This marketing concept is the philosophy of business that believes that 'satisfaction of the wants of the customers' is the economic and social justification for the existence of business.

Management-oriented Stage:

1991-present

This is the present stage of the evolution of the marketing concept. As consumer orientation became an accepted marketing philosophy, the entire business philosophy underwent a subtle change. Today, making considerations are most crucial in business planning and decision-making.

CLASSIFICATION OF GOODS:

Goods may be classified as

(a) Consumer goods
(b) Industrial goods

Consumer Goods:

These types of goods are purchased by ultimate users or consumers for their personal use. For example, food, biscuits, toys, clothes etc. are purchased by consumers to satisfy their non-business wants. These goods may be further classified as:

1. Convenience goods
2. Shopping goods
3. Specialty goods

Convenience Goods:

Consumers or purchasers get commodities such as bread, drug, perfumery, soap, sugar, tooth paste, newspapers, petrol, cool drinks, stationery items etc. at minimum effort and at low cost. They are often required by the consumers. These types of goods are available at places, where consumers need. The purchase of such goods cannot be postponed because they are daily necessities of life.

Shopping Goods:

Before making final selection, the consumers make an enquiry as to the products' comparative prices, durability, style etc. from different shops. Goods like jeweler, furniture garments etc. are more costly than convenience goods. Their need is also less when compared to the convenience goods. Shopping goods are generally available from particular shops where similar but same type of goods is sold.

Specialty Goods:

Certain products possess special attraction to the consumers. As such the consumer may wait or suffer inconveniences to get the desired goods. This type of goods is of high value and manufactured by reputed firms. For example, cars, refrigerators, fancy goods, televisions, fans, scooters, photographic equipment, high grade shoes, stereo equipment, electrical appliances etc.

Industrial Goods:

Goods which are used for production or used in producing other products are industrial goods. This type of goods is generally sold to manufacturers who in turn use them to make other own products. The difference between the consumer products and industrial goods is based on their ultimate use. If a product is brought by ultimate consumer, it is consumer goods. If a product is bought and used for making other products, it is an industrial product. The industrial goods can be further classified as:

- ✓ **Raw materials:** Raw materials are the basic materials entering physically into the final products. For example, building stones, raw cotton, raw jute etc.
- ✓ **Fabricated Materials:** materials of this category will enter physically into the final products, but some type of processing is already undergone. For example, bricks, copper sheets, leather, yarn etc. as the processing is incomplete, further processing is required.
- ✓ **Component Parts:** Such types of parts are already undergone some processing and more or less the parts can be called as final products. That is, the assembly of several component parts makes the final products. The components are visible in the final products, such as batteries, tyres, speedometer, spark plugs, spare parts etc.
- ✓ **Installation:** machines, buildings, equipments etc. do not enter into final products and are durable for a long period. They are essential for production. For example, gas, power installation etc. they need heavy expenses for installation and sometimes decide the nature, scope and efficiency of an organization.
- ✓ **Accessories:** They are light machines or tools which are used for operation of a business. This is not used for manufacturing a product. For example, hand-tools, cash-register in retail shop, type-writers, calculators, accounting machines etc.,

MODERN CONCEPTS OF MARKETING:

1. **The Production Concept:**
   The production concept holds that "consumers will favour those products that are widely available and low in cost. In production-oriented organizations, they concentrate on achieving high production efficiency and wide distribution coverage". The concept emphasizes on two counts – one that production concept is related to uninterrupted product availability and another the low price at which the product is made available to the ultimate consumers. This is on the assumption that the consumers are primarily interested in getting quality product with assured supply and at a low price.
2. **The Product Concept:**
   The product concept holds that "consumers will favour those products that offer the most quality, performance and features." In product-oriented organization, they focus their energy on making good products and improving them over time. The consumers do admire well-made products. Quality and performance of the product make them willing to pay in normal conditions.
3. **The Selling Concept:**
   The selling concept holds that "consumers, if left alone, will ordinarily not buy enough of the organization's products." The organisation must therefore undertake an aggressive selling promotion effort. It implies selling what is made rather than making what can sell. It involves hard selling. The product does not sell itself. The consumer has to be educated and convinced, that it is this and this product only which will satisfy his need.
4. **The Marketing Concept:**
   The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.
5. **The Societal Marketing Concept:**
   The societal marketing 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 in a way that preserves or enhances the customers' and the society's well-being.

FEATURES OF MODERN MARKETING CONCEPT:

1. **Customer-orientation**:
   All business activities should be directed to create and satisfy the customer. Emphasis on the needs and wants of consumers keeps the business on the right track. All marketing decisions should be made on the basis of their impact on the customer. Consumer becomes the fulcrum of business.

Customer orientation involves defining the target market carefully and understanding customer needs from the customer's point of view. The features of a customer-oriented firm are as follows:

(a) The firm appreciates and understands the strategic position of the consumers,
(b) The marketing system is designed to serve consumer needs
(c) The marketing system is integrated and well coordinated
(d) The marketing research is a continuous process
(e) Product innovation and product planning should be recognized and emphasized
(f) There is continuous reshaping of company's products and services to meet the changing demands of the consumer.

2. Marketing Research:

Under the marketing concept knowledge and understanding of customers' needs, wants and desires is of paramount importance. Therefore, a regular and systematic marketing research programme is required to keep side by side of the market and to seek answers to the following questions:

(a) What business are we really in?
(b) Who are our customers?
(c) What do the customers want?
(d) How should we distribute our products?
(e) How can we communicate most effectively with our customers?

3. Marketing Planning:

The marketing concept calls for a goal-oriented approach to marketing. The overall objective of the firm should be the earning of profit through satisfaction of customers rather the maximization of sales volume and profits. On the basis of this goal, the objectives and policies of marketing and other departments should be defined precisely. Marketing planning helps to inject the philosophy of consumer orientation into the total business system and serves as a guide to the organization efforts.

4. Integrated Marketing:

The activities and operations of various organizational units should be properly coordinated to achieve the defined objectives. The marketing department should develop the marketing mix which is most appropriate for accomplishing the desired goals through the maximum satisfaction of customers. To ensure integration, the firm must carry out both external marketing and internal marketing. External marketing is directed to people outside the firm. Internal marketing involves hiring, training and motivating able employees who want to serve the customers as well. Internal marketing must precede external marketing. It makes no sense to promise excellent service before the firm's staff is ready to provide excellent service.

5. Systems Approach:

Marketing concept is a systems approach to marketing. It requires intelligent coordination of the four 'Ps' of marketing mix, namely, product, price, place (channel of distribution) and promotion. Price should be made consistent with the product quality, the channel made consistent with product quality, price and channel.

"Marketing is a total system of interaction business activities designed to plan, price, promote and distribute want-satisfying products and services to present and potential customers".

6. Customer Satisfaction:

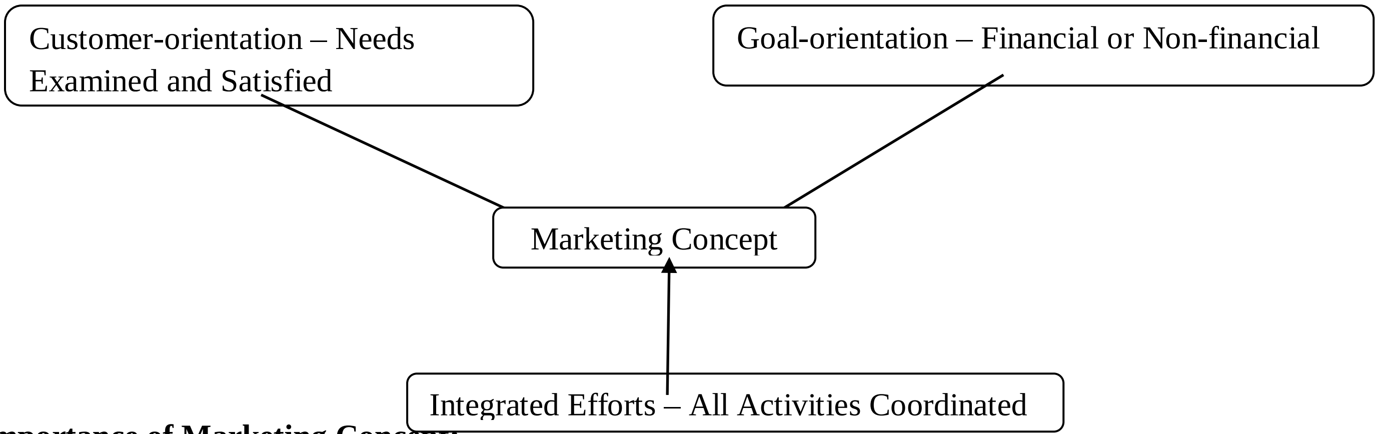
The aim should be to maximize profit over the long run through the satisfaction of customers' wants. According to Drucker, the real purpose of business is to create customers. According to Philip Kotler, "the marketing concept is a consumer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals. It is a management orientation that holds that the key task of the organization is to determine the needs, wants and values of a target market and to adapt the organization to delivering the desired satisfactions more effectively and efficiently than its competitors in a way that preserves or enhances the consumers' and society's well-being.

The marketing concept thus requires

(a) The identification and assessment of the markets
(b) Formulation of marketing policy to cater to the chosen market
(c) Integration of business operations to achieve the desired goals
(d) Evaluation of the results to check whether the organization is providing the desired level of satisfaction.

Thus, marketing concept is a customer-oriented, integrated and profit oriented philosophy of business.

The Marketing Concept



Importance of Marketing Concept:

(a) Concern for customers' needs and wants rather than for the product; increases the acceptability of the product.
(b) Marketing concept requires an integrated and coordinated approach to marketing.
(c) Marketing concept is a systems approach to marketing. It facilitates a rational analysis of all marketing problems along with their effective solutions.
(d) Marketing concept has strategic and philosophical value.
(e) The business firm pursuing the marketing concept can respond effectively to changes in its environment.

DIFFERENCE BETWEEN MARKETING AND SELLING:

S. No	MARKETING	SELLING
1.	Focuses on customer's needs	Focuses on seller's needs
2.	Customer enjoys supreme importance	Product enjoys supreme importance
3.	Product planning and development to match products with markets	High pressure selling to sell goods already produced
4.	Integrated approach to achieve long-term goals	Fragmented approach to achieve immediate gains
5.	Converting customer's needs into products	Converting products into cash
6.	Caveat vendor (let the seller beware)	Caveat emptor (let the buyer beware)
7.	Profits through customer satisfaction	Profits through sales volume

UNIT I completed

UNIT II

MARKETING FUNCTIONS:

The marketing functions are inherent in every marketing process and these functions may have to be performed many times in the marketing of a given product.

BUYING:

MEANING:

Buying is transfer of ownership of the goods. It is one of the important functions of marketing. It is the first step in the process of marketing. It is the process of acquiring goods in exchange for money or its equivalent.

DEFINITION:

Pyle defines, "Buying comprises all those activities involved in finding a suitable source of supply, selecting the desired quantity, quality, grade, style and size and coming to an agreement with reference to the price, delivery data and other conditions."

BUYERS:

A party which acquires or agrees to acquire, ownership (in case of goods) or benefit or usage (in case of services) in exchange for money or other consideration under a contract of sale.

KINDS OF BUYERS:

The buyers can be classified into

(i) Innovators
(ii) Adopters
(iii) Early Majority
(iv) Late Majority
(v) Excessive traditionalists

Innovators:

The smallest groups of early buyers are the innovators. They are exposed to innovative ideas and willing to experiment with anything new. They may influence other buyers in the same group. They represent 2% of the market.

Adopters:

The next group is the early adopters. This group represents true opinion leaders. They are change agents and are willing to try a new product if it will significantly improve their life style. They need to understand the benefits and will seek out references from other satisfied users before making a purchase. They represent 15% of the market.

Early Majority:

This group is slower to try new products, entering into the market only after their peers have actively embraced the product. They are far more pragmatic and less technology-driven than the previous groups. They care about longevity and reputation of the company providing the product. They represent 39% of the market.

Late Majority:

This group makes its purchases late in the cycle, often after the innovators and early adopters have moved on to new products forms. They wait until prices fall and the product has become the universally accepted solution. They are most concerned with low cost and customer support and they rely on the mass media for purchasing information. They represent 39% of the market.

Excessive traditionalists:

They wait until price has bottomed out, competition is intense and the product has become an absolute need. They tend to purchase products the other groups would consider obsolete. They represent 5% of the market.

The companies with new products must adapt their selling strategies according to the groups they are trying to reach.

Innovators – For the easy sale

Early Adopters – Benefits-oriented approach

Early Majority – Pragmatic, zero-risk solution

Late Majority – Low cost and strong support after sale

CLASSES OF BUYERS:

Buyers can be classified into the following groups, depending upon the purpose of the purchase.

1. Manufacturers and Businessmen
2. Middlemen
3. Consumers

Manufacturers:

Manufacturers purchase goods for production. According to the size of the production the manufacturers buy large quantities. Manufacturers buy raw materials, equipments, machinery, spare parts etc. they use them in their operations. The manufacturers must be intelligent buyers. They must collect the market information of the purchasing goods. They must have the technical people to get the best equipment and machinery. Manufacturers aim at producing the best quality products, at a cheaper rate.

Middlemen:

There are two types of middlemen. They are wholesalers and retailers. They buy goods for sale. Wholesalers buy large quantities. They sell the product to the manufacturers or retailers. The retailers buy small quantities. They sell the product to the manufacturers or retailers. The retailers buy small quantities and sell them to the ultimate consumers. Middlemen study the wants, needs and preferences of the consumers. According to the tastes of the consumers the goods are brought. When the middlemen purchase goods for sale, they must consider the following points:

1. They must estimate the demand
2. They must know the sources of supply
3. They must know the market news
4. They must know the seasonal variation in demand, which depends on the distribution of income, custom, festival, behavior of the people, consumer's preferences, fashion etc.

Consumers:

The consumers are the persons who buy things for their own satisfaction. Consumers buy small quantities of goods for their needs. Buying of consumers depends upon their income. The buying behavior of consumers is influenced by cultural, social, personal and psychological factors.

FACTORS OF BUYING:

There are many factors in buying products. The main factors are:

(i) What to buy?
(ii) How much to buy?

(iii) When to buy?
(iv) Where and how to buy?
(v) How to negotiate prices and terms?

FACTORS OF BUYING:

What to buy?

It is difficult to determine the quality, size, type and style of goods which will be liked by the consumers. It is very difficult to take a decision regarding these factors. It is not possible to buy goods to satisfy consumer's wants, without finding the tastes of the consumers. So a decision must be taken in proper way. Make a list of the things that are to be brought considering what are preferred by consumers.

How much to buy?

The quantity of goods needed must be known. Proper quantities of goods must be purchased for regular supply. Maintenance of balanced inventory method must be adopted to supply goods regularly to the consumers.

When to buy?

The time to purchase goods must be decided. The time factor plays a vital role in this problem. Buying in correct time will give good profit. Correct purchasing will lead to correct supply to consumers.

Where and how to buy?

The sources from where purchase could be made are another problem. The availability of necessary products must be searched. There may be different places where the required products are available. There arises the selection problem from where we have to buy. We must select the place where we can get good quality with minimum cost.

Negotiations of prices and terms:

This includes the terms and conditions on which the goods can be purchased. If the purchase price is less, the negotiation of prices and terms and conditions are favorable. If there is any problem in buying we must consider six R's. They are Right quantity, right quality, right price, right delivery, right suppliers and right place.

TYPES OF BUYING:

The types of buying are as follows:

1. Concentrated Buying
2. Diversified Buying
3. Reciprocal Buying
4. Hand to Mouth Buying
5. Forward Buying
6. Contract Buying
7. Buying by Inspection
8. Buying by samples
9. Buying by Description
10. Period Buying
11. Buying by Requirements
12. Open Market Buying

Concentrated Buying:

The buyer purchases his needs from a single seller, selected from a few sellers. This depends upon the nature of goods. If the purchase are made from a single or from a very few suppliers, it is referred as concentrated buying.

Diversified Buying:

If the purchases are made from a large number of sources, then it is called diversified purchasing. It is also known as scattered buying.

Reciprocal Buying:

The buyer and seller enter into a contract to buy and sell their products mutually.

Hand to Mouth buying (conservation buying):

This is a kind of buying in small lots or quantities. It meets the current needs of the business. So it is called as 'current need' buying. It is conservative buying. There is no risk of loss. If the middlemen expect a downward price, they adopt this policy.

Forward Buying:

It is a big lot purchase. By expecting a higher price in future, buyers make a lot of purchase.

Contract Purchasing:

In this method of purchasing, goods are purchased under a contract for a long period with fixed suppliers. The supplier supplies goods to the buyer at a fixed price. Investment of capital on purchasing is less.

Buying by inspection:

It is the simplest and oldest type of purchasing. The buyer gets the goods by examining it directly. It is possible when the goods are purchased locally.

Buying by samples:

The seller sends the sample and the buyer orders for the goods by seeing the sample. It is easy to purchase goods after examining the sample. Best selection of sample is necessary for the purchase of goods.

Buying by description:

When samples cannot be shown, the buyer makes the purchase on the basis of description given by the seller. It is because such goods cannot be carried to all places.

Period buying:

Buying the goods regularly or periodically. Usually monthly buying is prevailing among salary group people.

Buying by requirements:

Purchasing is done according to the demand. This purchase happens only in time of festivals or occasionally.

Open Market Buying:

When the price is reduced, the goods are purchased in the open market. Buyers are attracted by the reduction in price. Buyers buy goods and stock them. Non-perishable commodities are purchased and stocked.

Buying Process/Consumer Decision Making Process:

Problem Recognition

↓

Information search

↓

Evaluation of Alternatives

↓

Purchase

↓

Post Purchase Behavior

The stages in consumer buying decision process are

Problem Recognition:

A buyer recognizes the problem when he becomes aware of the desired state and an actual condition. Sometimes, a person has a problem or need but is unaware of it. Marketers use advertisement, personal selling and other methods to help trigger recognition of such needs or problems

Information Search:

After recognizing the problem or need, a buyer searches for product information that can resolve the problem or satisfy the need. The information search is of two types: internal and external.

Evaluation of Alternatives:

A successful information search yields a number of brands that a buyer views as possible alternatives. Using the evaluation criteria, a buyer rates and ranks alternative brands.

Purchase:

The buyer chooses the product or brand to be bought. Product availability may influence which brand is purchased.

Post-purchase Behavior:

After the purchase, the buyer begins evaluating the product to ascertain if its actual performance meets the expectations. The outcome of this stage is either satisfaction or dissatisfaction.

ASSEMBLING:

MEANING:

According to Holtzcla assembly means, “the seeking out of sources of supply, buying wisely as to quantity, quality and variety and making commodities available when and where they are wanted”. Assembling is helpful to the producers and the consumers. The meaning of assembling is finding the source of supply, buying the commodities and making them available at the time when they are needed and at the place where they are wanted. Assembling of products in one market and distribution of the products to another market is possible, because of the improvement in communication and transportation.

ADVANTAGES OF ASSEMBLING:

It is important for the modern method of production and distribution. Following are the important advantages of assembling.

1. **Economy in the cost of transportation:**
   Goods are assembled in one place by gathering them from different places. When large quantities of goods are transported from different places to one place, it is natural that the transportation cost will be less. Bulk transport will be cheaper and so there is economy in the cost of transportation. This provides the economics of large-scale handling.
2. **Helps Standardization and Grading:**
   The real aim of grading and standardization is to give higher prices to the producers and provide standard quality to the consumers. When the total production is brought together, grading can be done. Standardization is a marketing skill. And it leads to better price to the producers.
3. **Helps Bulk sale:**
   Large orders can also be easily delivered to the consumers as goods are assembled in bulk. Manufacturers can order for a bulk quantity for their production. This can be possible only when the products are assembled in one central place.
4. **Wider markets:**
   Wider markets for the commodities are possible only in the assembling places. Wider markets of products are available and thus it provides time and place utility to manufacturers, middlemen and consumers.
5. **Cheaper warehousing:**
   Storing and warehousing becomes easy as the products are assembled in one centre. The cost of warehousing is also less.
6. **Economic processing:**
   If there is a large quantity, economic progressing is possible. Economic progressing leads to lower price. It is desired by all levels of people at any time.
7. **A stable and regular supply can be ensured:**
   Stable and regular supply can be ensured by assembling. Some products are seasonal in supply. Such a type of products is stored in on centre in large quantities at the season. The products can be supplied regularly throughout the year and even during shortage period.
8. **Variety of products:**
   In the assembling centre there is the availability of a variety of goods at reasonable price.

ESSENTIALS OF ASSEMBLING:

1. To know the source of supply
2. To know the quality of goods
3. To select the suitable centre for assembling
4. To have specialized market middlemen
5. To have market intelligence service

PROBLEMS IN ASSEMBLING:

Even though assembling is important, it has its own problems and they are:

1. **Need of special skill:**
   There are a number of producers. There are a number of small units of supply which are scattered over a wide area. The products are seasonal and irregular in character. There is difficulty in holding stock. To remove all these problems special skill is required.

2. **Lack of transportation:**

   Assembling needs a developed means of transportation. But there is a lack of proper transportation. Agricultural products which are mostly seen i9n the villages are to be transported. There are no proper roads connecting the villages and the market. The existing roads are also not in good condition.
3. **Absence of properly regulated markets:**

   In India the properly regulated markets are less and they are also not functioning well. This leads the producers to sell their products in the private market, at a low price.
4. **Lack of standardization and grading:**

   This leads to the danger of adulteration, which leads to many problems.

SELLING:

MEANING:

Selling is the heart of marketing task. Selling in business means the transfer of ownership of goods or services to a buyer in exchange for money. Selling function is a creative function. It creates demand. Without selling there is no buying. The main object of selling is to sell or dispose of goods at a satisfactory price.

Define selling.

According to American Marketing Association, "Selling is the personal or impersonal process of assisting and/or persuading a prospective customer to buy a commodity or service and to act favorably upon an idea that has commercial significance to the seller."

According to Cundiff and Still, "Selling in broad sense, aims not just at making sales but also finding buyers, stimulating demand and the providing of advice and service to buyers".

According to Pyle, "Selling comprises of all those personal and impersonal activities involved in finding, securing and developing a demand for a given product or service, and in consummating the scale of it."

What are the types of selling?

The selling can be classified into 3 types. They are:

1. **Selling by Inspection –** In this type of selling the buyer inspects the goods before he makes the purchase. This is a very old method. The rule 'caveat emptor' is implied on the purchaser.
2. **Sale by Sample –** When goods are supplied by sample, it is guaranteed by the seller that the supplied goods will correspond with the sample. When the goods are bulky and are in different qualities, sale by sample is better.
3. **Sale by Description –** The seller gives a description of the goods through a catalogue, brochure etc. This type of sale is easy, where standardization is possible. In cases of huge plants or machines, which cannot be shown as samples or sent for inspection, only sale by description is possible.

TRANSPORTATION:

MEANING:

Transportation is described as 'physical marketing'. Without the physical supply of goods there will not be any transaction i.e., buying and selling. Transportation is the 'key link' between the production and other marketing functions.

What are the functions of marketing?

1. It encourages large production
2. It increases the mobility of factors of production
3. It encourages specialization and division of labor
4. It helps in stabilizing price
5. It provides employment opportunities
6. It strengthens the defense of a nation
7. It reduces the danger of shortage
8. It helps in the transformation of the economy
9. It transforms social and cultural structures
10. It increases demand for goods

What are the modes of transport? or Explain the modes of transport.

The means of transport can be classified into three main divisions and they are called the medium of movement or transport

1. Land
2. Water
3. Air

LAND TRANSPORT:

Land transport is the oldest one and is very important to each and every person. Without road transport nothing can be done. Land transport can be divided into four:

1. **Pathways** – It is used in small villages, hills, forest areas, deserts etc. In these places roads cannot be constructed.
2. **Road Transport** – It is the oldest system. It occupies a prominent place, necessary to everyone. Road transport is of vital important for trade. It is less costly, and quicker delivery of goods is possible.
3. **Railway** – It is the principal means of transport of the world. Railways are the cheapest and quickest means of transport.

WATER TRANSPORT:

Water transport is cheaper when compared to other modes of transport. It is cheap because there is no need for highways or railway lines. It is the oldest means of transport. it was used for bulky goods and low grade goods in the olden days. It also carries bulky goods over long distances, much longer than railways.

The main branches of waterways are:

1. Inland Waterways
   a. River Canal
2. Ocean Waterways
   a. Coastal Shipping
   b. Overseas Shipping

AIR TRANSPORT:

Air transport is the most advanced mode of transport. It is helpful in times of emergency like flood, earthquakes and war. It creates time utility in internal and international markets.

STORAGE AND WAREHOUSING

STORAGE:

MEANING:

Storage is the process of holding and preserving the goods. It is an important function of marketing process. It is a process of holding and preservation of goods from their production time to the consumption time. Storage is essential to protect the goods carried over from deterioration in order to use them in the period of scarcity.

Storage can be defined as one of the marketing functions, involved in preservation of goods between the time of production and the time of consumption.

What are the situations where the storage is required?

The need for storage arises fundamentally out of lack of adjustment between the time of production and the time of consumption of goods. The storage of products becomes necessary in the following cases:

1. Seasonal production but uniform consumption
2. Uniform production but seasonal consumption
3. Protection of goods
4. To maintain balance between demand supply

WAREHOUSES:

MEANING:

The place where the goods are stored is known as warehouse. Warehouse implies a house for wares. Wares mean products. A warehouse is a room or a building for the accumulation of goods, possessing facilities to perform other marketing functions. A warehouse must provide a better view and a clear differentiation chart regarding the articles stored.

What are the differences between storage and warehousing?

S. No	**STORAGE**	**WAREHOUSING**
1.	It is generally located near the factory	It is always located near the market
2.	Its aim is for personal use	Its aim is for commercial purpose
3.	Additional marketing functions cannot be performed.	Allied marketing functions such as grading, standardization, blending, mixing, packing etc are performed.
4.	It gives facility for stocking raw materials and finished products.	It is meant for final products.
5.	It is only a holding place.	It holds the goods as a distribution centre.

What are the functions of warehousing?

Warehouses perform the following functions which are essential in the process of marketing:

1. Warehouse is a convenient resting place of surplus goods which are produced in seasonal periods and made available to the market when needed.
2. Warehouse assumes the responsibility to care for the goods of intrinsic quality free from deterioration due to climatic change. It gives diversified arrangements to safeguard the products in original condition.

3. Warehouse-keeper accepts the responsibility based on Bailment Act. Thus if the warehoused goods are lost or damaged or destroyed, the warehouse-keeper has to reimburse the loss. Therefore, the risk is transferred by the producer.
4. Warehouse receipts help the bailers get finance from the bankers by pledging them. Thus, without selling the goods at a low price, business people enjoy financial help in the dull days, when money is needed.
5. Warehouse-keeper takes the responsibility of mixing, grading, packing etc., at the direction of the producers.

Explain the types of warehouses.

The important types of warehouses are:

1. **Bonded Warehouse**
2. **Duty-paid Warehouse**
3. **Special Commodity Warehouse**
4. **Refrigerated Warehouse (cold storage)**
5. **General Merchandise Warehouse**

What is Bonded Warehouse?

This type of warehouse plays an important role in international trade. It is situated at the port towns and generally owned by dock authorities. If owned privately, then license is essential. Generally importers have to remit the duties in one lump sum. But here the imported goods, on which import duty has not been paid, are accepted for storage till the payment. The bonded warehouse offers valuable service to the importers. The importer has to enter into a bond along with sureties, assuring the payment of duty before removing the goods from bonded warehouses. The goods, on which duty is not paid while they are in the bonded warehouses, are known as goods-in-bond.

What are the advantages of Bonded Warehouse?

1. The importer can remit the duty in installments. Delivery of a part of goods can be effected by remitting the appropriate duty.
2. The importers are allowed to do further processing on goods-in-bond, such as blending, mixing, racking, bottling etc.
3. The importer can take buyers to the bonded warehouse and the buyer can inspect the goods; this facilitates selling of imported goods which are in the warehouse.
4. It further facilitates the importer to re-export the imported goods without paying any duties. Thus the duplication of the work-first payment of duty and secondly claim for refund-is avoided.

What is Duty-paid Warehouse?

This is situated at port-towns and is usually owned by Dock Authorities or public authorities. An importer remits the duty of imported goods and then stores them in the duty-paid houses.

What is Special Commodity Warehouse?

Goods, produced to be stored, may require varying types of storage facility. This type of warehouse gives storage facilities only for a particular commodity. This is suitable for fishes, perishable products and not suitable for wool, cotton etc.

What is Refrigerated Warehouse?

Refrigerated warehouse is also known as cold storage. Cold storage is of recent development in the field of warehouses. Perishable goods such as eggs, fruits, meet, milk, apple etc., require cold storage facilities during the peak season for a longer period and they are released to the market, where there is a demand. Generally, such a type of cold storage is located at the consuming centre. The benefit of this storage are as follows:

1. Goods are available, throughout the year
2. It widens the market
3. It maintains reasonable price in the market
4. It prevents temporary glut in the market
5. It facilitates longer life to perishable goods
6. It helps the producers by maintaining the price
7. It lowers the marketing cost
8. It maintains the intrinsic value of goods
9. It promotes the health of users
10. It releases goods on the basis of demand

What is General Merchandise Warehouse?

This is the most common type of warehouse. It provides facility to all kinds of goods. No special facilities are required as all commodities are stored. It is a place of store for manufactured, semi-manufactured and raw materials until they are required by the manufacturers, distributors, retailers, consumers etc. this is located in the distribution centre.

Give the classification of warehouses on the basis of ownership.

Warehouses are classified, on the basis of ownership, into:

- **I. Public Warehouse**
- **II. Private Warehouse**

What is a Public Warehouse?

It is used by the public. The operation system and rates of rent are regulated by the Government. It functions on commercial line. It gives facilities of scientific storage. Private warehouses are rarely constructed, because of heavy expenditure on construction. The warehouses are equipped with modern machineries. Risk of loss on account on life, accident, spoilage can be reduced.

What are the advantages of Public Warehouse?

1. Public warehouses are built in modern methods which reduce all types of losses and safeguard the goods.
2. Facilities are open to all. Rental and other charges are generally low.
3. They have their own loading and unloading systems, such as cranes, rail-road etc. These heavy investments cannot be afforded by private warehouses.
4. They employ skilled persons, who give the best suggestions and better services to the users.
5. The users have to pay only for the space used and for the period of use.
6. The receipt issued by them will serve as a collateral security, which facilitates further finance.

What is a Private Warehouse?

It is owned by private and large business-houses, such as manufacturers, wholesalers, retailers etc. They own and operate for their own use. This type of warehouses is rarely found because of the high cost on construction. It may be within the factory building or a separate building or near the market place.

UNIT II completed

UNIT III

MARKETING FUNCTIONS:

STANDARDIZATION AND GRADING

STANDARDIZATION:

What is standardization?

Standardization facilitates effective performance of marketing functions, mainly buying and selling. Standardization means the establishment of certain standards on the qualities or the intrinsic physical properties of a commodity. It signifies that the products produced are of a certain quality.

Define Standardization.

According to Duddy and Revzan, "Standardization is the process of determining of classes or grades of a product or service that have fixed limits."

International Organization defines, "Standardization is the process of formulating and applying rates for an orderly approach to a specific activity for the benefit and with the co-operation of all concerned and in particular for the promotion of optimum overall economy, taking due account of functional conditions and safety requirements."

Standardization is mainly concerned with the division of products into distinct groups or classes on the basis of some common characteristics. Like other marketing functions, standardization involves sub-divisions –

(1) Determination of Standard,
(2) Grading
(3) Inspection and
(4) Labeling

What is Standard?

A standard is a measure that is generally accepted as having a fixed value. It is a model. It is an example. It is a grade or a class. Anything serving as a basis of comparison is called a standard. It consists of basic limits or specifications to the qualities that products must have to be of a designed grade.

Standardizing means the determining of basic measures or limits to different groups of products. The process of fixing the grades is known as standardizing. Standardizing plays an important role in the marketing of agricultural goods and minerals. Manufactured goods are standardized in the process of production.

What are the types of standards?

Standards are determined on the basis of certain fundamental characteristics of the product concerned-basis for standards. There are three types of standard:

1. **Quality Standard:** Weights and measures are the standards usually used for the determination of quantity. Standardization of weights and measures and enforcement of them are under the responsibility of Central and State Governments and local bodies. The standard weights and measures are kilogram, meter, and litre.
2. **Standard of size and measurement:** This is important as far as the manufactured goods are concerned. The standards are determined on the basis of the size of the products. For ex. Ready-

made garments, shoes, thread, nut, bolt, pipe etc. Such products are purchased or sold on the basis of size and measurements.

3. **Quality Standard:** This is a standard, which is a difficult to be established. This standard depends on the prescription of consumers and users. However, branding, product differentiations, positive quality etc., are the basis for standardizing.

GRADING:

MEANING:

What do you mean by grading? / What is grading? / Explain grading.

Grading means the division of products into classes made up of units possessing similar characteristics of size and quality. It is the task of separating the products on the basis of predetermined norms or standards. Determination of standards to be established is known as the process of standardization.

It is the classifying process of the commodity as per the needs of the standards. It is important in standardization and refers to the service of sorting out products into groups of uniform kind, quality and size. Thus standard determines the quality and grading. The process of diving a quantity of the same kind of goods into uniform groups according to certain standards of size, shape, color, texture, degree of cleanliness, acidity or other significant characteristics.

Give the differences between Standardization and Grading.

S. No	Standardization	Grading
1.	It is fixed before grading	It follows standardization
2.	It is a process of fixing standards	It is a process of separating the goods on the basis of quality
3.	It is a mental process	It is a physical process
4.	It is applied in agricultural as well as manufactured goods.	It is applied in agricultural products
5.	It is meaningless without grading	It is not possible without standardization
6.	ISI stands for standardization	AGMARK stands for grade.

INSPECTION:

To know the effectiveness of grading, it is necessary to have a check. Inspection or check aims to test the goods "in order to determine the characteristics".

LABELLING:

What is labeling?

A label may be a piece of paper containing printed statement or a metal printed; it may be a part of package or attached to it, indicating price, contents, name, place, quality, ownership etc., of a product. The process of attaching the labels is called labeling.

What are the types of labeling?

There are four types of labeling.

1. Brand Label
2. Grade Label
3. Descriptive Label

4. Informative Label

Brand Label:

It is the brand name applied to the product to the package. It carries information relating to the brand. Through a brand label, a firm can be remembered. The purpose of brand label is to popularize the brand loyalty.

For ex. Sanforised – a mark for shrinklessness

AGMARK – standard goods

Grade Label:

Grade label gives more important information to the quality of a product. By a letter or word the product identification is done.

Descriptive Label:

Detailed descriptions of the product such as chemical analysis, size, color etc. storing methods, directions for the use of the products, are given in the descriptive label.

Informative Label:

This type of label carries more information and is distinguished from descriptive labeling. Such a label may contain fuller details of the guidance to use and care to be taken of the products.

What are the advantages of Standardization and Grading?

1. **Simplified Sales** – Sales by grade need no sample or description. But to sell ungraded products, inspection of the product is essential. Thus the sale of standard products becomes easy and simple. Standard products can be sold or brought by letters or telegrams.
2. **Reduced Marketing Cost** – The expenses to be involved in sales by inspection or sample can be avoided. Sales returns on standard products do not occur.
3. **Future Sales Facilitated** – When the goods are under graded system, future sales can easily be effected because of the dealings in standard goods.
4. **Simplifies Financing** – The prices of graded goods can be fixed easily. Easy finance lending can be availed of on the strength of the graded items.
5. **Satisfaction of the consumers** – Grading guarantees goods of standard quality to consumers.
6. **Wider market** – Sales by grade name can widen the markets for standard products and standardization facilities mass turnover.
7. **Low Transport Cost** – When grading is adopted, inferior goods can be discarded at the producing place, and thereby transportation cost decreases.
8. **Buyer's Satisfaction** – When standard goods are available, it gives no place for adulterated goods. Consumers can blindly purchase graded goods.
9. **Consumers pay Right Price** – There is a disparity between the price charged by the manufacturer and price paid by the consumer in the case of ungraded goods. This will give chances to earn extra profits by the middlemen at the cost of the manufacturer or buyer. Standardization eliminates such margins.
10. **Easy Realization of Claims –** In the case of accident in store or in transit, claims can be finalized without much displeasure. At the same time, the loss of ungraded goods can only be settled with great difficulty. Simply the receipts of graded goods are enough to calculate the loss.
11. **Long Period Contracts –** When buyers and sellers are assured, about the standards, they can easily enter into contracts for long period.

BRANDING AND PACKAGING:

BRANDING:

What is brand?

A brand is a "name, term, symbol or design to identify the goods or services and to differentiate them from those of the competitors."

American Marketing association defines a brand as, "the use of a name, term, symbol or design, or some combination of these, to identify the product of a certain seller from those of competitors."

A brand identifies the product for a buyer. A seller can earn the goodwill and have the patronage repeated.

What is branding?

Branding is the practice of giving a specified name to a product or group of products of one seller. Branding is the process of finding and fixing the means of identification.

What is Brand Mark?

Brand Mark is that part of the brand which appears in the form of a symbol, design or distinctive coloring or lettering. It is recognised by sight, but not pronounceable. It is designed to easy identification of product.

PACKAGING:

The packaging of a consumer product is an important part of the marketing plan. There are many factors to be considered while designing a package. A good number of companies adopt square packages in place of round packages which save space.

What do you mean by packing?

Packing means wrapping of goods before they are transported or stored or delivered to a consumer. Packaging is the sub-division of the packaging function of marketing.

Packaging has been defined as "an activity which is concerned with protection, economy, convenience and promotional considerations."

What are the factors that influence the growth of packaging?

The following are the factors which influence the growth and recognition of packaging as a marketing tool:

1. **Self-service** – A number of products, are being sold year after through the super markets, on a self-service basis. Thus, they are packed and kept ready for sale. Packages attract attention, telling products features, create overall impression and win consumers' confidence. So good package is a must.
2. **Consumer Affluence** – Consumers are willing to pay a little more for conveniences, appearance, dependability and prestige of better packages.
3. **Company and Brand Image** – To enjoy a distinctive attraction, there must be a good brand and packaging.
4. **Innovational opportunity** – Innovative packaging can bring large benefits to customers and profit to producers.

What are the features of packaging?

Packaging has an important role in marketing. It protects product and helps in sales promotion. So, the container or cover, design of packaging, color, size etc. should be suitable to the nature of product. It also should be convenient, attractive, economical, communicative etc. Only good and effective packaging can protect the product, keeps safe from declining its quality, it makes adulteration impossible. Good packaging also increases prestige, brand loyalty and promotes sales.

The main features of packaging are:

1. **Convenient:**

   Good packaging should be convenient. Package should be made in a way that the product could be conveniently taken from one place to another and can be handled easily by middlemen or consumers. The package design should be made re-useable, if possible.

2. **Attractive:**

   Package should be attractive and fascinating. Attractive package draws customers' attention. It stimulates their interests towards the product and makes them realize that they want the product. Color, picture, design, size etc. of package can be dramatically influence customers' mind. Some customers demand due to attractive packaging.

3. **Economical:**

   The other feature of good packaging is to be economical. It should not be costly. If packaging is expensive, it increases the price of the product. As a result, it becomes difficult to sell the product. So packaging should not be costly nor should be clumsy.

4. **Protective:**

   The purpose of packaging is to protect products from different risks. Products should be packaged in a way that the quality, quantity, color etc. of product does not decline or damaged from sun, rain, insects, dust etc.

   While carrying from one place to another, transporting or storing in and products may get damaged, putrefied, spoiled or rotten, so proper arrangement should be made to save the product.

5. **Communicative:**

   Good packaging should also be communicative. It should give information to the customers about the brand utility and quality of the product, which can stimulate demand. Good packaging works as silent salesperson and an effective advertisement.

What are the functions of packaging?

1. **Product Protection –** package protects the products and is fundamental in idea. Their journey from manufacturer to consumer is facilitated. Package prevents breakage, contamination, pilferage, chemical change, insect attack etc.
2. **Product Containant –** package means using just the space in which a product will be contained. Ordinary packaging is in the form of throw-away containers.
3. **Product Attractiveness –** the size and shape of the package, its colour, printed matter on it etc., must make the package attractive to look at. The psychological feeling is that a good package contains good quality product in it. Attractiveness is a major consideration in modern packaging. A pictorial label on the package plays a role of silent salesmen.
4. **Product Identification –** Packages differentiate similar products. Packaging and labeling are inseparable and are closely related to branding. Package has more significance, when the product

cannot be seen by the buyer-packed milk, fruit juice etc. Buyers depend on the package label in understanding the product in the package. An attractive label is a means of success in marketing.

5. **Product Convenience –** The purpose of packaging is not merely confined to consumer service. The design and size of the package must be in accordance with the contents i.e., product it must be convenient to the ultimate customers. Package which can be easily handled, opened, moved etc., is appreciably favoured by customers.
6. **Effective Sales Tool –** a good package stimulates sales. A designed and attractive package invites customers. As is the product, so is the package. Many people think that a good package, taller in size, not shorter, contains bigger products. Women like round or curved shape of packages. Packaging, attractive and innovated, has value, as many people buy the products, for the sake of containers

What are the kinds of packaging?

1. **A Consumer Package –** Is a kind of package which holds the required volume of product for the household consumption. For example, tooth paste, shoe polish etc.
2. **A Family Package –** When products are related in use and are of similar quality, the firm makes the packages identical for all products by using common feature on all the packages. In this type of package system a producer uses similarity in packages, i.e., material, appearance, method etc.
3. **Re-use Package –** It is also known as dual package. A producer sells the contents in such a package, which can be re-used for other purposes after the product is consumed; the package has a secondary use, after the contents are consumed. For instance, the glass jar of Nescafe Instant Coffee, and many other products are packed in such a way that the package can be put into many uses.
4. **Multiple Package –** The practice of placing several units in one container is known as multiple packaging. For instance, Make-up set, Baby's care set etc.

UNIT III completed

UNIT IV

PRODUCT PLANNING AND DEVELOPMENT

INTORDUCTION:

Product is the key element of the marketing programme. Before making decisions about pricing, promotion and distribution, a firm has to determine what product it will present in the market. In fact, planning and development of the marketing mix normally begins with a clear idea of the firm's product or service.

In the modern competitive situation, producers try to bring out suitable products which are closer to and more attractive than the substitutes. To make one's product, the producer must take utmost care in planning his product. The pressure of competition leads to drag out the existing products, and the management looks ahead for the development of new products, in the place of the existing product, or through diversification or extension of product line.

MEANING:

The product planning means an attempt to establish the product in line with market needs. It is defined "the act of making out and supervising the search, screening, development and commercialization of new products, the modification of existing lines and the discontinuance of marginal or unprofitable items."

Product planning is the initial stage for the entire marketing programme of a concern. Product planning embraces all activities which enable producers and middlemen to determine what should constitute a company's line of products. Product development a more limited term embraces the technical activities of product research, engineering and design.

PRODUCT:

Define Product.

According to Philip Kotler, "A product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, place, organisation and ideas."

A service is an activity or benefit that is intangible and does not result in the ownership of anything. A product is not just a physical object but what consumers perceive it to be. Many products are symbolic; they help us to play our roles in society.

PRODUCT MIX:

What do you mean by product mix?

Product mix is the combination of all products offered for sale by a company. The product mix is three-dimensional: it has breadth, depth and consistency.

- **Breadth** is measured by the number or variety of products manufactured by a single manufacturer.
- **Depth** refers to the assortment of sizes, colors and models offered within each product line.
- **Consistency** refers to the close relationship of various product lines either to their end-use or to production requirements or to distribution channels, or to other variables.

For ex:

Product Mix of Company X

1. Breadth – The Company X produces a variety of electrical appliances such as fans, mixers, lamps etc.
2. Depth – The Company X manufactures different varieties or models of fans and lamps.
3. Consistency – The Company X is known for their electrical products.

What are the factors influencing product mix?

The fundamental reason for changing product mix (adding or eliminating products) is due to the change in the market demand. Change in demand occurs due to the following factors:

(a) Population increase
(b) Changes in the level of the income of the buyers and
(c) Changes in consumer behavior.

The change in consumer behavior is a continuous source or a reason that invites changes in product planning. The other reasons are:

1. Marketing influences
2. Production influences and
3. Financial influences

All these arise out of the internal economies of a firm. As long as the profit motive is the criterion for the existence of a firm, changes in product mix are unavoidable.

PRODUCT DEVELOPMENT:

What do you mean by product planning?

Product planning is the activity charged with the responsibility of providing new and profitable products for management to evaluate. It is also charged with the responsibility of reviewing the profitability of existing products. Product planning deals with changes in:

1. The kind of goods or services offered,
2. The number or kinds of products or different lines, that the company offers,
3. The width of assortment within each product line offered,
4. The quality levels or levels acceptable to various classes of consumers, and
5. The degree of distinctiveness.

The following are the basic changes that may be required in products:

1. Improving the existing products,
2. Weeding out unprofitable items in the product line (simplification),
3. Expansion of the current product line (diversification),
4. New product development for the present customers, and
5. New product for new customers.

NEW PRODUCT DEVELOPMENT:

Introducing new products is rather difficult as it involves long-range planning. Customer's need should be identified, competing and substitute products should be evaluated and above all the strength of the company should be examined before deciding to produce a new product.

Product development is a more limited term but includes the technical activities of product research, engineering and design. Product planning is usually described as 'Merchandising' and it covers both the existing and potential products. This activity, therefore, must deal with the proper balance between the old and new products.

What are the steps involved in New Product Development?

The following steps are recommended in the development of new products.

EXPLORATION:

The first stage of the new product's evolution begins with an idea for the product. Hence this stage is also termed as 'Idea generation'. Ideas may originate from R&D, distributors, consumers, employees etc. all the ideas may not have immediate market potential. At the same time, a firm must always keep a collection of ideas ready in stock, because the creation of new products is a condition of survival in many industries. The specific activities performed in this stage are:

- **i.** Determining the product fields of interest to the company
- **ii.** Establishing a programme for planned idea generation and
- **iii.** Collecting ideas through an organized works.

SCREENING:

At this stage, the ideas collected are scrutinized to eliminate those in consistent with the product policies and objectives of the firm. Some ideas may already be protected by patents and some others may not be fit for consideration because of the non-availability of raw materials for production. The main intention of this phase is only to eliminate unsuitable ideas as quickly as possible. The procedure adopted includes:

- **i.** Expanding each idea into full product concept
- **ii.** Collecting facts and opinions to decide whether the product idea could be converted into a business proposition and
- **iii.** Assessing each idea for its potential value to the company

BUSINESS ANALYSIS:

It is a continuous phase of screening process. At this stage creative analysis is applied to the idea finally selected. Product feature are analyzed and a rough programme for its development is fixed. This stage emphasizes:

- **i.** Further study on each idea in a detailed manner
- **ii.** Determining the desirable market features for the product and its feasibility and
- **iii.** Developing specifications and establishing a definite programme for the product

DEVELOPMENT:

During this stage, the 'idea-on-the paper' is turned into a 'product-on-hand'. In other words, the idea is converted into a product a product that is producible and demonstrable. This term is also termed as 'Technical Development'. It is during this period that all developments of the product, from idea to final physical form, take place. Once the management decides to go forward with the product idea, the following activities are undertaken:

- **i.** Establishing development projects for each product
- **ii.** Building the product with the changed specifications, if necessary and
- **iii.** Developing specifications and establishing a definite progamme for the product.

TESTING:

The object of this stage is basically to assess whether the product meets the technical and commercial objectives predicted in the original proposal. There are various tests conducted at various levels in order to ascertain the product acceptability. There are three types of tests usually conducted:

- i. Concept Testing
- ii. Product Testing and
- iii. Test Marketing

1. **Concept Testing:**

   This is concerned with measuring customer reactions to the idea or concept of a product. It is a kind or research in which the product idea is screened before any money, time or labour are committed to making the prototype products. The idea of a product with as many details as possible is made known to the customers either verbally or through the use of suitable blueprints. The response of the customers is checked and only if it is found encouraging then the development of product prototype is taken up.

Advantages of concept testing:

- a. To evaluate the relative merits of several new product proposals
- b. To determine whether the product idea is to be abandoned or modified
- c. To determine the size of the potential market
- d. To guide the management to adopt suitable marketing policies in advance.

Limitations of concept testing:

- a. It entails some risk of disclosing the company plans to competitors
- b. There is a time-lag for obtaining and assessing the results
- c. Respondents may overstate their interest and encourage unsound development
- d. The validity of any measure of potential market size obtained through early stage concept testing is often doubtful.
- e. Findings may be misleading if the test is not carried out properly.

2. **Product Testing:**

   Once the concept test of a product is successful, the next step is to put the real product into a few selected markets. This test will prove whether the product performs as expected or whether it lives up to the promise of the concept. Such a test enables the management to pick out the likes and dislikes of the consumers towards the product. It also gives an opportunity to the buyers to compare the product with the competitive products.

3. **Test Marketing:**

   Even the most favorable results from the concept testing and product testing are not a conclusive evidence for the success of a new product. Experience shows that the chances of a new product being successful are significantly greater if it is put into a controlled test market where it is exposed to realistic competitive conditions.

   The objectives of test marketing are:

   1. To evaluate a complete marketing plan including advertising, distribution, sales, pricing etc.
   2. To determine media mix, channels etc.

3. To forecast sales volume

Limitations of test marketing are:

1. Competitor's response and their defensive action may not allow test marketing to be conclusive.
2. Teat marketing is a costly affair
3. It is a time-consuming method. Many firms avoid test marketing, since they wish to be the 'first in the market'.

COMMERCIALISM:

In this stage the product is submitted to the market, and thus commences its life-cycle. Commercialism is also the phase where marketing is most active in connection with the new product. This stage is considered to be a critical one for any new product and should therefore be handled carefully. For ex. It would be checked whether advertising and personal selling have been done effectively and whether proper outlets have been arranged for the distribution.

What is the need for new product development?

1. To face the competition
2. For survival
3. Instrument of growth
4. To attract the customers

What are the factors or problems involved in introducing a new product?

1. Shortage of finance for investment in designing, developing and launching new products
2. Lack of adequate and reliable information regarding tastes and preferences of consumers.
3. Lack of technical inputs required for introduction of new products\
4. Resistance to change involved in introducing new products.
5. Time and costs involved in new product development
6. Shortage of ideas for new products
7. Fragmented markets
8. Governmental and social constraints.
9. Reluctance and inability of the enterprise to bear the risk involved in the failure of new products.

Why products fail? / What is the reason for the failure of a product?

Designing of new products always raises a number of problems. The consumers become more selective in their choice of products. The failure is also due to the introduction of new substitutes as well as technology innovations. Dependence on adequate research is the only way with which such failures could be averted. If the research study is inadequate, biased, or not extensive enough, an attempt to create specifications according to consumer needs would naturally fail. The following are the usual reasons advanced for the product failure:

1. **Inadequate Market Analysis:**

   Biased information of improper analysis will yield only wrong data. Acting on such data leads to product failure.

2. **Product Defect:**

   This arises out of technical flaws in the process of production. This is fundamental reason for product failure. Inadequacy in products, to a large extend, are got rid of by proper product testing.

3. **Higher Cost:**

   Higher final costs than anticipated at the time of product are another reason for product failure. It might partly due to wrong pricing policies adopted by the firm. The cost estimates also often go wrong when the products are finally introduced into the market.

4. **Poor Timing:**

   The fundamental principle to be followed in product planning is to find out the exact time at which the product is to be introduced into the market. Usually when and how are the two questions a manufacturer is often finding it difficult to answer. A close analysis of the market condition and consumer behavior and attitudes is essential to find an answer to the two problems.

5. **Competition:**

   This is also an important factor that leads products to struggle hard in the market. There are various methods to overcome severe competition, including price cuts (mark down prices) and various kinds of discounts, etc. consumer products are most affected by severe competition. However, it should be noted that it is not the low price alone that will help a product to compete and succeed in the market. Basically, offering high quality products excelling the existing ones is the basic determinant in deciding the success of a product in the market. There is a widespread recognition that it is ultimately the quality of a product which will enable the product to withstand competition.

6. **Insufficient Marketing Effort:**

   It is wrong to assume that a manufacturer's job ends the moment a product is ready for sale. Proper promotional activities also form a part of his job to make the product known to the customers. Proper selection of the channels of distribution and the methods of physical distribution also help in proper and efficient marketing products.

7. **Inadequate Sales Force:**

   Selling is done by personal or impersonal methods. Impersonal methods include advertisement and similar promotional activities. Personal methods, on the other hand, are more intimate and more efficient. Promotional activities should be backed by adequate sales force to introduce the product properly in the market.

8. **Weakness in distribution:**

   The distribution of the product is one of the major marketing problems. It is this marketing function which enables the product to reach the proper markets at proper time at a proper price. Distribution management is considered to be one of the important areas where management decisions require far-sightedness and vision.

REMEDIES TO NEW PRODUCTS:

How product failure can be prevented? / What are the remedies to reduce the new product failure?

a) We should ensure that adequate demand exist for the product. One should identify and ensure a potential market for his products.

b) We should make the product acceptable to the society.

c) We should select a product that would exactly fit into the existing market structure of a company.

d) We should use continuous and demand creation methods.

e) We should select a product that should reflect the company's image already created in all respects especially with regard to quality and price.

According to Blain Cooke, the following stages should be followed to develop the new products.

1. A Forecast of Market Demand – How large is the market and for how long will it last.
2. A Description of the Market Profile – An analysis of customers or to who wants what and where.
3. A Product Concept – Analysis of product features including the price.
4. Designing an efficient organizational structure for the distribution of products.
5. Undertaking consumer tests. On the basis of results obtained the entire process to be rescheduled, if necessary.

UNIT IV completed

UNIT V

PRODUCT LIFE CYCLE:

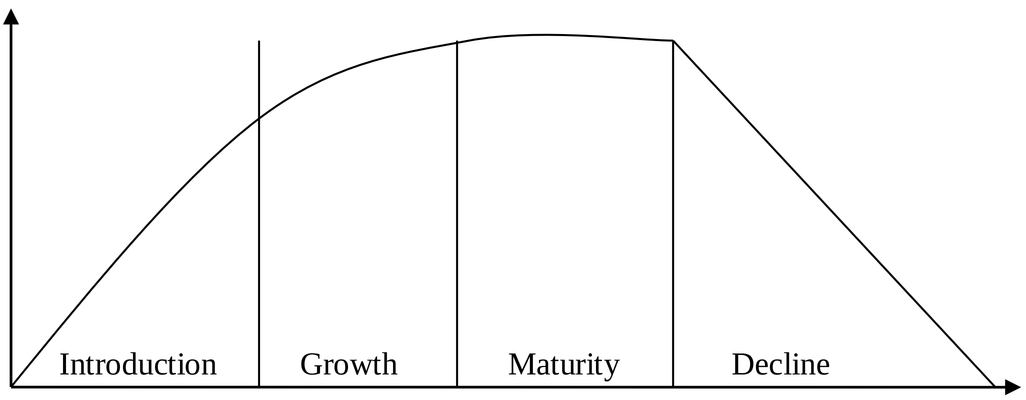
MEANING:

Products like people are mortal. They flourish for a time, then decline and die. The life cycle of a product has many points of similarity with the human life cycle. A product is born, grows lustily, attains a dynamic maturity, and then enters its declining years. A product that has not built up its potential during its formative years they are unsuccessful on its maturity. The life cycle of the product comprises four stages: Introduction, Growth, Maturity and Decline.

What are the stages of product life cycle? / Explain the stages of product life cycle.

The life cycle of the product comprises four stages: Introduction, Growth, Maturity and Decline.

PRODUCT LIFE CYCLE



Introduction Stage:

After testing a product enters the introduction stage and the product will then become available in the national market. Sales would begin gradually as potential buyers learn of the product through advertising and other selling techniques. But the profits will be low as part of the investment is to be recouped besides heavy expenditure on selling.

Growth Stage:

In the growth stage, both sales and profits will begin to increase. It is here that similar other new products begin to appear in the market as substitutes and offer competition. The management should therefore try its approach by changing its strategy from 'buy my product" to "try my product".

Maturity Stage:

In the maturity stage, the manufacturers introduce new models or adopt methods such as trading-in etc. to promote the sale of their brands with a view to retaining their position in the market. The number of buyers will continue to grow, but more slowly. In economic terms this is the stage where supply exceeds demand. Some of the promotional efforts may lengthen the span of this stage but they will not offer a permanent solution.

Decline Stage:

At the decline stage, profit margins touch a low level, competition becomes severe and customers start using newer and better products. The story of a product ends here.

What are the various strategies to be followed in product life cycle?

The strategies that are followed in various stages of product life cycle are:

Introduction Stage:

The strategies on the marketing mix in introduction stage are as follows:

- **Product** branding and quality level is established and intellectual property protection such as patents and trademarks are obtained.
- **Pricing** may be low penetration pricing to build market share rapidly, or high skim pricing to recover development costs.
- **Distribution** is selective until consumers show acceptance of the product.
- **Promotion** is aimed at innovations and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

Growth Stage:

The strategies on the marketing mix in growth stage are as follows:

- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

Maturity Stage:

The strategies on the marketing mix in maturity stage are as follows:

- **Product** features may be enhanced to differentiate the product from that of competitors
- **Pricing** may be lower because of the new competition
- **Distribution** becomes more intensive and incentives may be offered to encourage preference over competing products.
- **Promotion** emphasizes product differentiation

Decline Stage:

As sales decline, the firm has several options:

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product – reduced costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

Product life cycle concept may be used as a managerial tool. Marketing strategies must change as the product goes through the life cycle. If managers understand the cycle concept they are in a better position to forecast the future sales activities and plan marketing strategies.

Explain the features of a product? / What are the features of a product? / What are the attributes of a product? / What are the characteristics of a product?

The features of a product can be classified in to two types:

1. Tangible Attributes
2. Intangible Attributes

TANGIBLE ATTRIBUTES:

The tangible attributes of a product are:

1. Size
2. Taste
3. Weight
4. Durability
5. Label
6. Features
7. Smell
8. Package

INTANGIBLE ATTRIBUTES:

The intangible attributes of a product are:

1. Style
2. Image
3. Brand Name
4. Quality
5. Prestige
6. Warranty

A product is not just a physical object but what consumers perceive it to be. Many products are symbolic; they help us play our roles in society.

The important features of product are:

1. **Tangibility** – It should be perceptible by the touch. An item to be called a product should have a tangibility character – touch, seen or feeling. For instance, car, shirt, book etc.
2. **Intangible Attributes** – The product may be intangible, in the form of services – banking, insurance services, repairing etc. it is an associated feature. For instance, scooter is a tangible product, and when free servicing is offered by the seller, then the product is not only tangible item but also an intangible one.
3. **Associated Attributes** – Such attributes may be brand, package, warranty etc. For instance, Hindustan Lever's vanaspati ghee has a brand name DALDA and with its package it can be identified by the consumers. It has developed an image that all kinds of vanaspati ghee sold are being referred to as DALDA ghee.
4. **Exchange Value** – Whether the product is tangible or intangible, it should have exchange value and must be capable of being exchanged between seller and buyer for mutually agreed price.
5. **Consumer Satisfaction –** Products should have the ability to offer value satisfaction to the consumer. The satisfaction may be both real or/and psychological.

Explain the importance of a product.

1. It satisfies the need and wants of consumers.
2. It provides value for money to the consumers.
3. It should provide satisfaction to the customer.
4. It stimulates interest of the customer.

PRODUCT DIVERSIFICATION:

What do you mean by product diversification? / What is product diversification?

Diversification occurs when a firm seeks to enter the market with a completely new product. "Diversification is a policy of an operating company, so that its business and profits come from a number of courses usually from diverse products that differ in market or production characteristics." Generally it means adding a new product to the existing product line. It may be new products, new markets, new technologies etc. It is just the opposite of product line contraction and is also referred to product line expansion. For example, a firm making watches at present, has started making wall clocks. This product is different from the existing product.

What are the reasons for product diversification?

The reasons for the diversification are:

1. To take advantage of the existing reputation
2. To arrest the declining profit margins
3. To meet new products of competitors
4. To use more effectively the existing facilities
5. To increase the sales of existing products

6. To maintain market share
7. To meet the customers' demand
8. To utilize the existing spare capacity of factory
9. To eliminate cyclical slumps
10. To curtail market expenditure
11. To compensate the loss of another product
12. To use undistributed earnings

PRODUCT LINE:

"A product line is a group of products that are closely related, either because they function in a similar manner, or are sold to the same customer groups, or are marketed through the same type of outlets, or fall within given price ranges."

According to Stanton, "A broad group of products, intended for essentially similar uses and possessing reasonably similar physical characteristics, constitute a product line."

For example a range of toilet soaps is product line.

The product item is a specific version of a product that has a separate designation in the seller's list.

PRODUCT ALTERATION/MODIFICATION:

What do you mean by product alteration or product modification?

The existing product has to be modified in order to suit the changing conditions, because of fashion change. When one makes improvements in the existing product, by changing its quality, size, form or design etc., the process is said to be product modification. When changes are made, the existing product may look almost new. The purpose of this change is to increase sales or to attract the customers. Modification may facilitate:

1. Satisfying the additional needs of the buyers.
2. Upgrading or downgrading the quality of a product to suit the market – rich or poor.
3. Changing to attractive design, colour, shape etc.
4. Meeting the customers' demand or for social responsibility.

PRICING:

What is price?

Price may be defined as the exchange of goods or services in terms of money. Price of a product is what the seller feels it worth, in terms of money, to the buyer.

What are the steps followed in determining the price?

The steps followed in determining the price are:

1. Determine demand for the product
2. Anticipate and analyze the competitive reaction
3. Establish expected share of the market
4. Select pricing strategy
5. Consider company's marketing policies
6. Set the price

Determining Demand for the Product:

Each price that the company might change will lead to a different level of demand. There is a relation between the price charged and the resulting demand. In normal case, demand and price are inversely related, i.e., higher the price, lower the demand. If demand is elastic rather than inelastic, sellers will consider lowering their price, to produce more total revenue.

Anticipate and Analyze the Competitive Reaction:

The competitions can influence the price. Competition may arise from

a) Similar products

b) Close substitute and
c) Unrelated products seeking the same consumer's disposable income.

When the marketing field is easy to enter, then the number of competitors is greater and it gives more revenue. To anticipate the reactions of the competitors, it is necessary to collect information about their product, cost structure, market share etc.

Establish Expected Share of the Market:

A marketer must decide the share of the market at the expected price. Low priced products may capture larger share of the market, and a high priced product may capture a small share of the market. Large share of the market can also be captured by advertisements and non-priced competition. Share of the market is also decided by the factors, such as present production capacity, cost of plan extension etc.

Select Pricing Strategy:

A good and proper pricing policy may be employed to achieve a predetermined share of the market.

Consider Company's Marketing Policies:

Due to changes in fashion the marketer may compel the stockiest to sell out the stocks before they become obsolescent. Channels of distribution select the types of middlemen and the gross marginal requirements of these middlemen will influence a manufacturer's price. Larger the promotional methods used, larger will be the expenses and this will reflect in the manufacturer's price, as the set price has to cover the expenses.

Setting the Price:

After analyzing each step mentioned above through its merits and demerits, a specific price is set for the products by the producer. There is no specific method for setting the price. Procedures used for setting a price vary under different competitive conditions.

What are the different types of pricing?

Business firms uses various kinds of pricing for their products, important of them are:

1. **Psychological Pricing:**

   Costs and other factors are important in pricing. Yet, psychology of the prices is also considered. The prices are set at odd amounts. An article priced at Rs. 9.90 will have more sales than when it is priced at Rs. 10

2. **Customary Pricing:**

   Customers expect a particular price to be charged for certain products. The prices are fixed to suit local conditions. The customers are familiar with the rates and market condition.

3. **Skimming Pricing:**

   It involves a high introductory price to be charged for certain products. The products when introduced in the market have a limited period free from other manufacturers. During this period, it aims at high profit maximization, according to the favourable market condition. Generally, the price moves downward when competitors enter into the market field.

4. **Penetration Pricing:**

   A low price is designed in the initial stage with a view to capture greater market share. That is if the pricing policy is to capture greater market share, then this is done only by adoption of low prices in the initial stage. Because of the low price, sales volume increases, competition falls down.

5. **Geographical Pricing:**

   The distance between the seller and the buyer is considered in geographic pricing. The cost of transportation is an important pricing factor, because of the wide geographical distance between the production centre and consuming centre. The majority of the producing centres are located in Bombay, Delhi, Calcutta and Chennai and at the same time the consuming centres are dispersed through India.

6. **Dual Pricing:**

In dual pricing a producer is required compulsorily to sell a part of his production to the Government or its authorized agency at a substantially low price. The rest of the product may be sold in the open market at a price fixed by the producer.

UNIT V completed