

Chapter-11

MARKETING



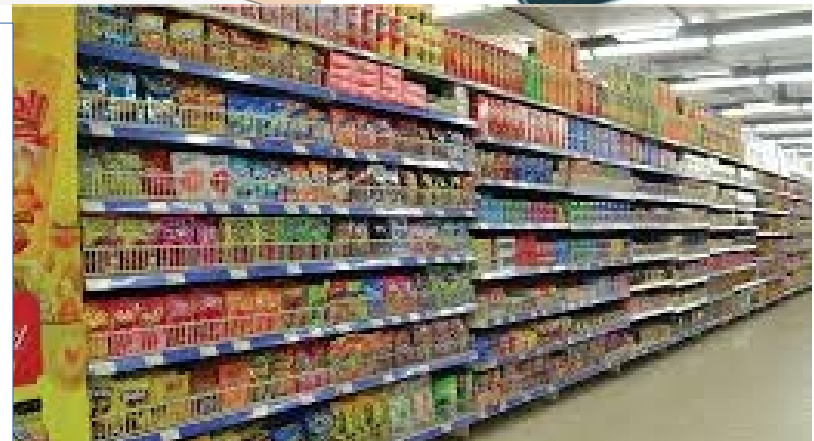
Prepared by **BINOY GEORGE**

Market

Today the term 'market' should not be restricted to specific place, it includes the entire area where buyers and sellers contact each other to purchase and sell commodities at certain price. Today business is conducted through telephone, through mail, internet etc .We know that certain commodities have national and even international market.



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Important Features of Market

Market must satisfy the following characteristics. There must be:



- Commodity to buy and sell
- Buyers and sellers to purchase and sell commodities
- Area or infrastructure to meet buyer and seller
- Close contact between buyers and sellers.



Different forms of markets

Markets can be classified on the following bases:

1. On the Bases of Area – Local Market, National Market, International Market
2. On the Bases of Quantity of Commodity – Wholesale Market, Retail Market
3. On the Bases of Competition – Perfect Market, Monopoly, Imperfect Market
4. On the Bases of Legality – Open Market, Black Market
5. On the Bases of Commodities and Services – Commodity Market, Factor market

Factor Market

Factor market is the market for services (factors of production) needed to complete the production process. In other words anything used in making a finished product—labour, raw materials, capital, and land—make up a factor market.



Marketing

Marketing is a process through which goods and services exchange from producers to consumers in such a way that maximizes the satisfaction of consumer needs. It is not merely sales .Marketing involves:

- Discover the needs and wants of customers.
- Develop products and services which would satisfy customers .
- Selection of a distribution channel to reach the product to customer's place
- Develop and implement promotional strategy.

Marketing process-Example

A marketer of cell phones, before making the sale, does a lot of other activities such as analysing the needs and wants of customers, planning the type and model of cell phone to be produced, fix the price at which it would be sold and selecting the distribution outlets at which it would be available.



Features of marketing

1. Fulfilling Needs and Wants
2. Creating a Market Offering
3. Customer Value
4. Exchange Mechanism



Features of marketing

1. Fulfilling Needs and Wants

Marketing is the process of fulfilling the needs and wants of the consumers. All the people have almost the same needs but their wants happen to be different, e.g., feeling hungry is a need but satisfying it by eating only *chicken biryani* is a want. A marketer tries to find out the needs of the consumers and how those needs are to be satisfied.

Need- Travelling
Want- Travel in Benz car



Features of marketing

2.Creating Market Offering

The second feature of marketing is creating market offering. It refers to providing complete information about the product and services, e.g., providing information about the name of the product and service, type, price, size, centre of availability, etc. A good market offer is always prepared keeping in mind the needs and priorities of the customers.

Ingredient	In units as sold	Price
Water: 1.125 cups	-	
Skimmed milk powder: 2.5 tablespoons	22 grams	R3.42
Sunflower oil: 2.5 tablespoons	37 millilitre	R1.37
Sugar: 2.25 tablespoons	26 grams	R0.62
Salt: 1.25 teaspoons	10 grams	R0.13
White bread flour: 3 cups	495 grams	R8.41
Yeast: 1.25 teaspoons	4 grams	R1.56
Ingredients total:		R15.51
Amortised bread-maker cost*		R2.33
TOTAL PRICE PER LOAF		R17.84



Features of marketing

3.Customer Value

Buyers take a buying decision based on their view about the value (value for money) of a product or service in satisfying their needs. Cost element is also an important factor. So what is needed on the part of the marketer is that of adding value to the product so that customers prefer it in relation to the competing products. A seller who does not give attention to the importance that a buyer pays to a product is sure to lag behind in the race of competition.

City Vs
Ciaz



Features of marketing

4.Exchange Mechanism

Literal meaning of marketing is exchanging things. Marketing has two sides-buyer and seller. Marketing becomes possible only by the medium of exchange between the two. The seller gives goods and services and in exchange the buyer gives money or something equivalent to it. These days the distance between the place of production and the place of consumption has increased. Intermediaries like the agents, wholesalers, retailers, etc. helps to reduce this distance through the medium of marketing.



UP TO 50% OFF

DISTRIBUTION CHANNEL

ADVERTISING



What is to be marketed?

We can market items like goods, services, ideas, persons, places etc.

Goods	It consists of all the consumer goods and capital goods ,vegetables ,books ,TV ,soft drinks ,equipments ,machinery etc
Services	It consists of services of professionals like chartered accountants, doctors, advocates, financial services like banking,insurance, <u>online</u> trading etc.
Ideas	Ideas like “blood donation”, “say no to drugs”, “No Smoking”, “Clean India”]
Persons	We can market persons also. In election campaign, candidates are marketed and voters are convinced to vote for them.
Places	Marketing of place is common today. Tourism departments promotes to visit various places like Agra ,Jaipur ,Kovalam ,Munnar ,Mysore etc.
Events	Much scope to promote sports events like Olympics, World Cup Football etc.,festivals like Onam,Diwali etc.

Difference between Selling and marketing

Generally people consider selling and marketing as synonymous of each other. But actually two are different concepts. Selling is just a part of marketing activities. Marketing is a wider term, it includes wide range of activities such as analysing the needs of customers, designing the products accordingly, pricing the product, selling the product, after sales service etc. Selling refers to sale of goods or services through advertisement, promotion and salesmanship.



Selling is just a part of marketing activities

Distinction between selling and marketing

Basis	Selling	Marketing
Process	Selling process starts after production and it is concerned with activities for promotion of sales.	Marketing process starts before production and it includes identifies the wants of consumers, produce and deliver goods to consumers for satisfying their needs.
Objective	Maximise profit through sales volume	Maximise profit through customer satisfaction
Focus	Focus on seller's needs	Focuses on customer's needs

Distinction between selling and marketing

Basis	Selling	Marketing
Strategies	Strategies to promote sales	Strategies in respect of product, promotion, pricing and physical distribution
Start and end	Selling starts after production and ends with the sale of product	Marketing starts much before production and continuous even after sale
Supremacy	In selling process producer is the king	In marketing process consumer is the king
Scope	Scope of selling is limited; it is only a part of marketing.	Scope of marketing is wider; it consists of number of activities. It includes sales also.

Marketing Management

Marketing management is a functional area of management concerned with planning, organizing, directing and controlling the activities related to the marketing of goods and services to satisfy the customers' wants.



According to Philip Kotler "marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value management"

Marketing management Philosophies/Concepts

Different concepts give different weightage to different factors like production, product, selling etc.

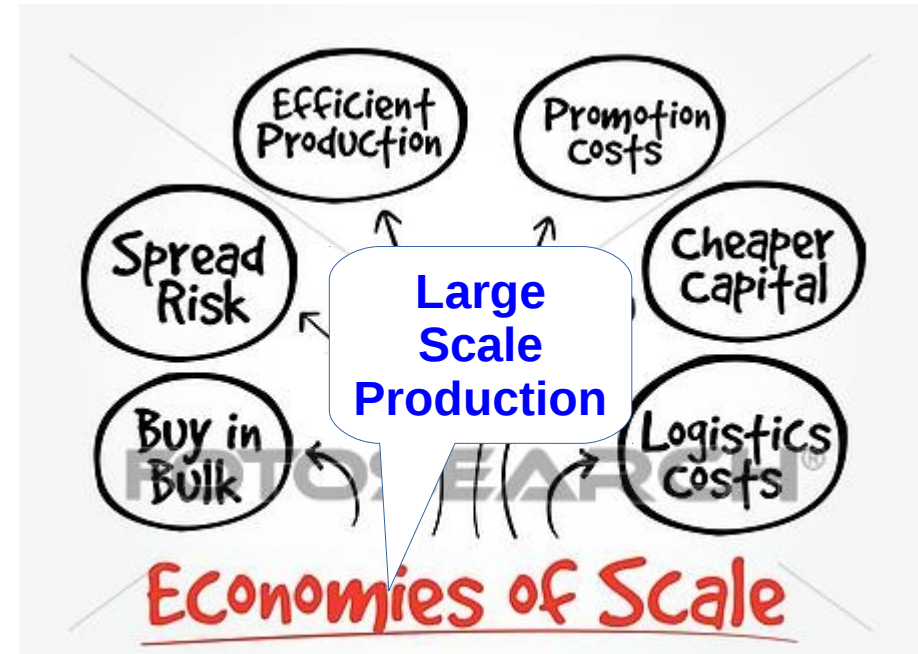
1. **Production Concept**

2. **Product Concept**

3. **Selling concept**

4. **Marketing Concept**

5. **Societal Concept**



Marketing management Concepts

1. Production Concept

Some companies believe that profits could be maximized by producing at large scale. Their outlook is that it is easy to sell the products when products are inexpensive and easily available. They mainly concentrate on quantity of products. Their aim is to earn more profits through large scale production.



Economies of Scale



Marketing management Concepts

2.Product Concept

This concept says that, customers would favour those products with superior quality, performance and features. These people believe that quality of product is the key factor to maximize profit of a firm. Their aim is to earn more profits through quality improvement.



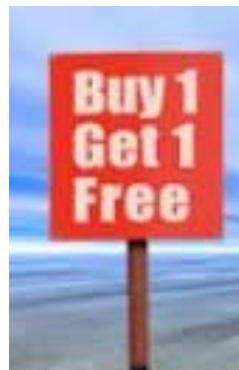
Marketing management Concepts

3. Selling concept

According to this concept, it is assumed that customers would not buy, or not buy enough unless they are adequately attracted and convinced to do so. Therefore firms should undertake various promotional techniques such as advertising, sales promotion and personal selling in order to generate large demand for their products. It helps in pushing the sales volume of the products thereby increasing profits. Here customer satisfaction is not a key factor.

SALES PROMOTION

PERSONAL SELLING



Marketing management Concepts

4. Marketing Concept

Today market is customer oriented, customer is the king. According to this concept, an organization can achieve its objective of profit maximization by identifying the needs of its present and prospective customers and effectively satisfying them. Their main aim is to profit maximisation through customer satisfaction.



Overall Aim of Marketing:

identify, **anticipate** &
satisfy consumer wants
and needs - **profitably**

A close-up shot of a hand holding a piece of white chalk, writing the phrase 'The Customer Is King!' on a dark green chalkboard. The text is written in a simple, slightly irregular font. The hand is positioned at the bottom right of the frame, with the chalk tip just finishing the word 'King!'.

Marketing management Concepts

5. Societal Concept

According to this concept marketing strategy must honour the social values. It should aim at consumer satisfaction with environmental conservation. It means that marketing efforts should not be selfish enough to maximize profit at the cost of the society. Price stability, quality of goods, availability of resources, pollution control etc. are examples related to the societal concept of marketing.



Functions of Marketing

- 1. Identify Consumer Needs**
- 2. Planning**
- 3. Product designing and Development**
- 4. Standardisation and Grading**
- 5. Packing and Labelling**
- 6. Branding**
- 7. Setting up Customer Support Services**
- 8. Pricing**
- 9. Promotion**
- 10. Physical Distribution**
- 11. Transportation**
- 12. Warehousing**

Functions of Marketing

1. Identify Consumer Needs

Most important function of marketer is to gather and analyse market information. This will help to identify the needs of customers and take valuable decisions for efficient marketing of the products and services. Once you understand your customer thoroughly you can base your product design on this information.



Functions of Marketing

2.Planning

The next logical step would be to make a marketing plan. Firstly you must be very clear about the objectives of the company and what it wishes to achieve. Then you figure out a time line to achieve these objectives. And finally, you plan the marketing strategy of your company accordingly. For example, a marketer of cell phone, having 20% market share in India aims to achieve 40% market share in the next 3 years.



Functions of Marketing

3. Product designing and Development

As per our consumer research, we then develop the product that suits the needs of the consumer. The design of the product is also an important factor in many products. For example when buying a car, a customer not only considers its features like cost, mileage etc .but also its shape, colour, style etc.



Functions of Marketing

4. Standardisation and Grading

Standardisation refers to producing goods of predetermined specifications such as quality, price, packaging etc., which ensures uniformity in products. All customers must get the same product of the same design and quality. This will facilitate purchasing by description. Buyers need not inspect, test and evaluate goods. And these standards need to be maintained throughout.



Standard size - Suitable for all companies products

Functions of Marketing



5. Packing and Labelling

A package is a container or a wrapper in which a product is enclosed. Labelling refers to putting identification marks on the package. The package and the label are the first impressions your product makes on the consumer so they are of essential importance. They are not only to protect and identify the goods but are great marketing tools.



Functions of Marketing

6.Branding

Branding is the process of giving a name, sign, symbol or design used to identify the products of one firm and to differentiate them from those of the competitors. Examples Sony, KFC Chicken, Pepsi etc. The brand name must be selected very carefully as the customer's loyalty depends upon the brand name. Certain brands enjoy incredible goodwill in the market and it can benefit the product.



Functions of Marketing

7. Setting up Customer Support Services

In present day marketing customer is the king. So customer satisfaction is the main motto of every businessman. So a very important function of marketing management relates to developing customer support services such as handling customer complaints, after sale services, maintenance services, technical support etc.



Functions of Marketing

8.Pricing

This is one of the most important functions of marketing. The price of a product will largely determine its success or failure. Factors like demand, market conditions, prices competition etc will be considered to come up with the correct pricing strategy.



Pricing

~~**\$1,199.00**~~

Reduced! Now only **\$1199**

Functions of Marketing

9.Promotion

Promotion refers to informing the customers about the firm's products, their features, etc, and persuading them to buy these products. There are four major promotion methods – advertising, personal selling, sales promotion and publicity. The company must decide on its best promotion mix, a combination involving all or some of these four methods.

ADVERTISING



25% OFF

Buy 1 Get 1 FREE

Functions of Marketing

10. Physical Distribution

Another important function of marketing manager is making plans regarding distribution of goods or services. Physical distribution includes decisions like choice of channel of distribution, maintaining inventory, storage, ware house etc.

Producers (Breweries)



Distributors



Retailers (bars, liquors stores and grocers)

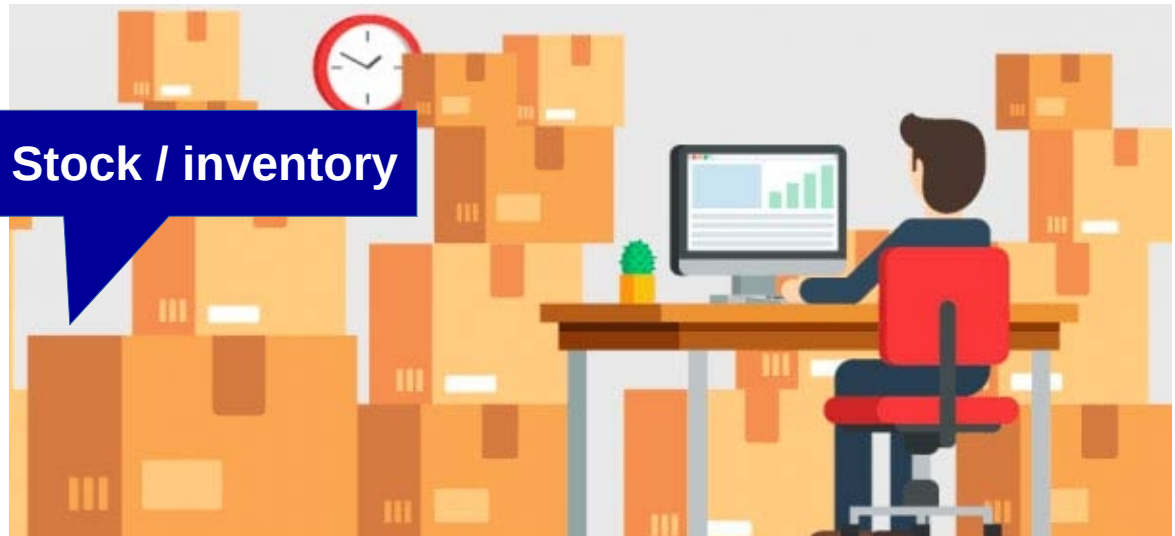


Consumers (you)

**W
A
R
E
HOUSE**



Stock / inventory



Functions of Marketing

11. Transportation

Transportation involves physical movement of the goods from its place of production to its place of consumption. The company must analyse its transportation needs after taking into account various factors such as nature of the product, cost and the geographical boundaries of its market. This will help them choose the correct modes of transportation.



Functions of Marketing

12. Warehousing

As we have seen there is always a lag time between the production and the consumption of goods. Sometimes the products are seasonal or the supply is irregular or there are production difficulties. But companies like to maintain a smooth flow of goods. So storage and warehousing of goods are necessary.



Role of Marketing

In these days marketing plays very important role in a firm as well as economy as a whole.

1.Role in a firm

Marketing helps a firm to earn maximum profit through customer satisfaction. Thus; marketing plays a vital role in the survival and growth of the firm.

2.Role in the economy

Marketing plays an important role in the economic development of a nation. It helps in raising the standard of living of the people by making available goods and services that satisfy their needs and wants. Marketing leads to more employment opportunities, more sales, higher profits, attract more investments etc.

Factors affecting marketing decisions

There are various factors that will affect marketing decisions. We can classify them into two:

1. Controllable factors

These are factors which can be influenced in marketing decision at the firm level. For example, in case of a particular product, say, bread, its packing, brand name, pricing, distribution networks to be used, promotion models etc. are controllable factors that can be decided by the marketing manager of a particular firm.



New FRC - Rs.298/-		
FRC/PV	Freebies offered	Validity of Freebies
Rs.298	Free Unlimited Voice Calls(Local/STD/Onnet/Offnet) Free Unlimited data (Speed reduced to 80 Kbps after 1GB/day)	56 days

Factors affecting marketing decisions

2. Non-controllable factors

These are factors which are not controllable at the firm. For example customers demand, political party's attitude, government decisions, economic factors etc.



NEW INDUSTRIAL POLICY 1991

Interest
Rate

Marketing Mix

Marketing mix is a set of four decisions which needs to be taken before launching any product. It refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The **4Ps** make up a typical marketing mix - **Product, Price, Place and Promotion**. The four basic elements of marketing mix are inter-related and inter-dependent.

1.Product Mix

2.Price Mix

3.Place Mix

4.Promotion Mix



Marketing Mix

According to William J Stanton “marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company’s marketing system, the product, the price structure, the promotional activities and the distribution system”

Cost Price
and
Selling Price?

₹1199

Get Upto **75% Off**
DISCOUNTS



Marketing Mix



Marketing Mix

1.Product Mix

Product mix refers to important decisions related to product such as quality of product, size, colour etc. The product has many dimensions like shape, size, volume, brand name, packaging, labeling etc., and the marketing manager should be given due consideration for each dimension. Manufacturers try to add more and more utilities to the product to provide greater satisfaction to customers and winning edge over competitor.



Marketing Mix

2.Price Mix

Price refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, competition and other direct and indirect factors. Price mix refers to important decisions related to fixing of price of a commodity. Price is the crucial element of marketing mix because customer is very sensitive to this element. Little variation in the price may shift your customer to competitor's product, for example if the price of 'MIRINDA' is changed from Rs. 30 to Rs.33 then the customer will start demanding 'FANTA' which is still available Rs.30. Price must match with the utility offered by the product or services.



Marketing Mix

3.Place Mix

It refers to taking decisions regarding how the product will be available for the customers for the actual sale. There are two important decisions relating to this aspect.

Decision regarding channel of distribution- It decides whether goods are to be marketed through wholesalers, retailers, own branches or any other way.

Decision regarding physical movement of goods- Physical movement involves handling the movement of goods from place of production to the place of consumption. It involves four activities-order processing, transportation, warehousing and inventory control.

Transportation

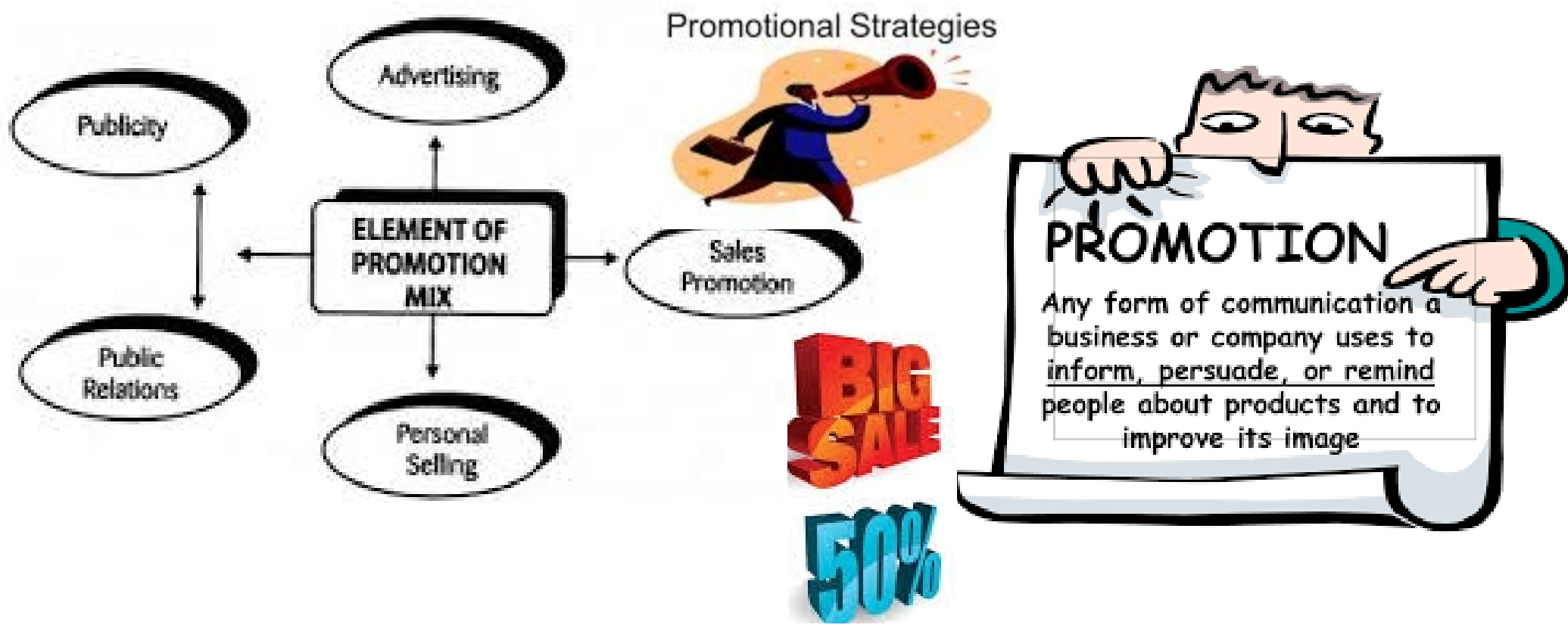
BUY HERE !!



Marketing Mix

4.Promotion Mix

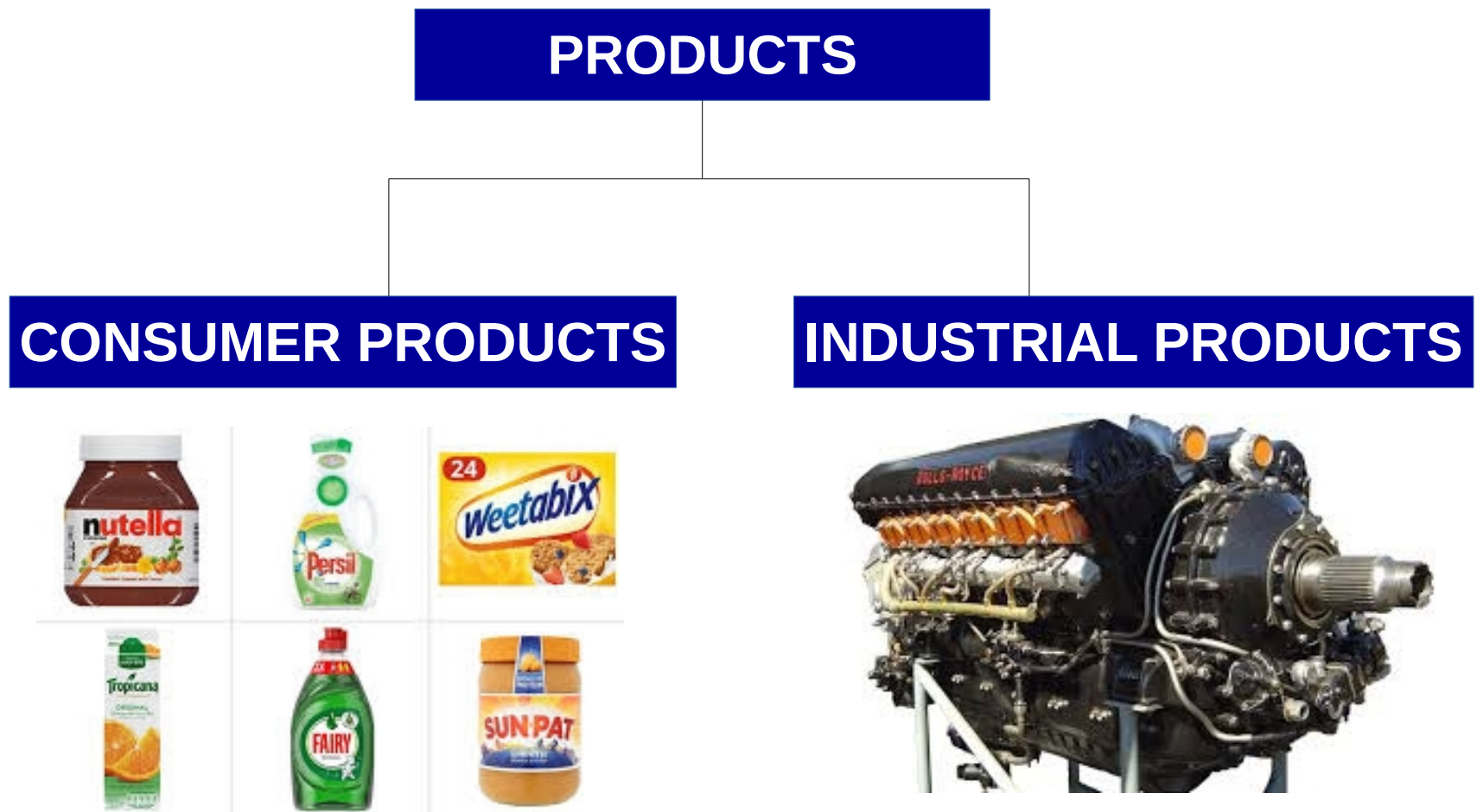
It involves all activities concerned with informing the consumers about a product and persuading them to buy the product. Such activities include (1) Advertising (2) Personal selling (3) Sales promotion (4) Publicity.



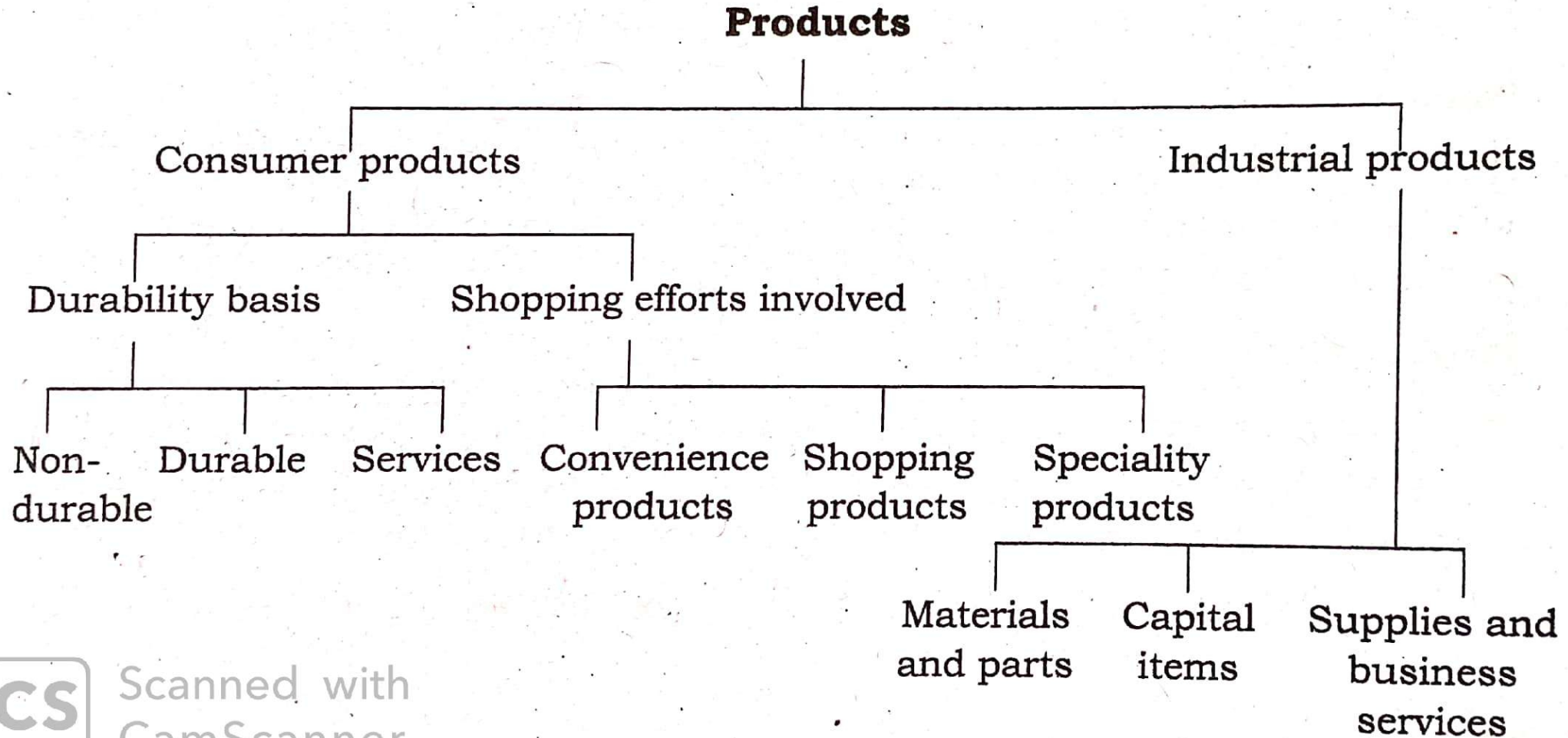
Nature and Classification of products

Product means goods or services which are offered to the market for exchange. Products may be broadly classified into two-

1. Consumer products
2. Industrial products.



Nature and Classification of products



1.Consumer Products

Consumer products are those products which are purchased by the ultimate consumers for satisfying their personal needs . Soap,Shoes,TV,Tooth pastes,clothing, food and jewelry are all examples of consumer products. Consumer goods/products are ultimately consumed, rather than used in the production of another goods. It is also called final goods.



Types of Consumer Products

The consumer products can be classified on the basis of two important factors:

A. Durability of the product

B. The extent of shopping efforts involved



Types of Consumer Products

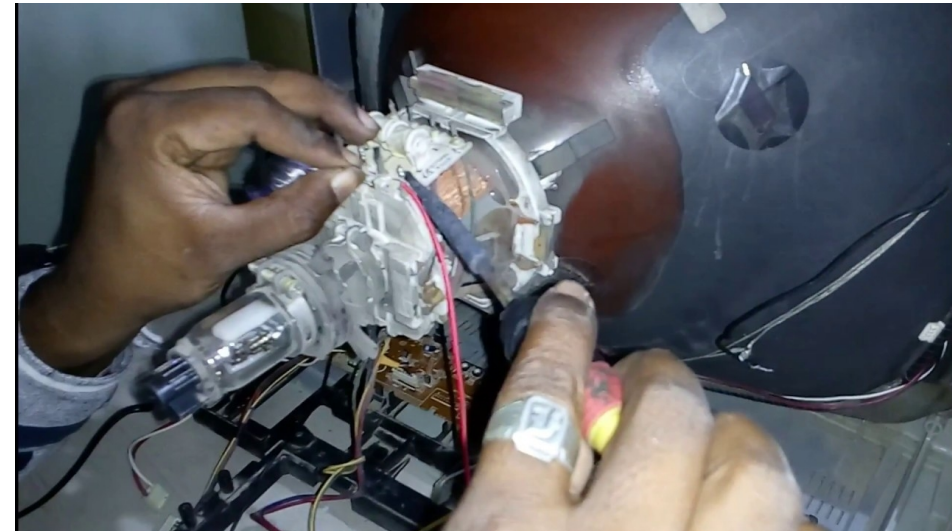
A. Classification on the basis of Durability

On the basis of their durability, the consumer products can be classified into three categories—

1. Durable products

2. Non-durable products

3. Services



Consumer Products (On the basis of durability)

1.Durable products

The goods which are used for a longer period of time are known as durable goods. For example, refrigerator, washing machine, radio etc.

Features-

- used for a longer period
- high price
- Command a high per unit margin
- require after sales service and promotion tools for sale.



Consumer Products (On the basis of durability)

2. Non-durable products

Those consumer goods which are normally consumed in one or few uses are called non-durable goods. They are purchased very frequently .

Examples- toothpaste, soap, books, pen etc.

Features-

- Available in many locations
- Low priced products
- These products are generally sold at low price and with fewer profit margins.
- Heavy advertisement required



Consumer Products (On the basis of durability)

3.Services

Services are intangible in form. By services we mean those activities, benefits or satisfactions, which are offered for sale. Their customers are general public.

Examples-Dry cleaning, watch repairs, hair cutting, postal services, services offered by a doctor, an architect and a lawyer.

Features-

- Intangible in nature
- It can't be stored
- Can't separate service from service providers
- Services are highly variable from person to person

INTANGIBLE



DO NOT STORE



Types of Consumer products

B. On the basis of shopping efforts involved

On the basis of the time and effort buyers are willing to spend in the purchase of a product, we can classify the consumer product into the following three categories as here under:

1. Convenience Products
2. Shopping Products:
3. Speciality Products



1



2



3

Consumer Products

B. The extent of shopping efforts involved

1. Convenience Products

Consumer products that people usually purchase frequently, immediately and with less purchasing efforts are called convenience products.

Eg. Soap, bread, match box ,toothpaste ,magazines etc.



Characteristics of convenience products:

- These products have low unit-value and are bought in small quantities.
- These products are purchased at convenient locations, with least efforts and time.
- These generally come under the category of essential products.
- Sales promotion schemes or short term incentives such as sales contests, discount offers, etc. play an important role in the marketing of such products.



Consumer Products

B. The extent of shopping efforts involved

2. Shopping products

Shopping products are those consumer goods, in the purchase of which buyers devote considerable time, to compare the quality, price, style, suitability, etc., at several stores, before making final purchase.

Examples of shopping products are clothes, shoes, jewellery, furniture, radio, television, washing machine, fridge etc.

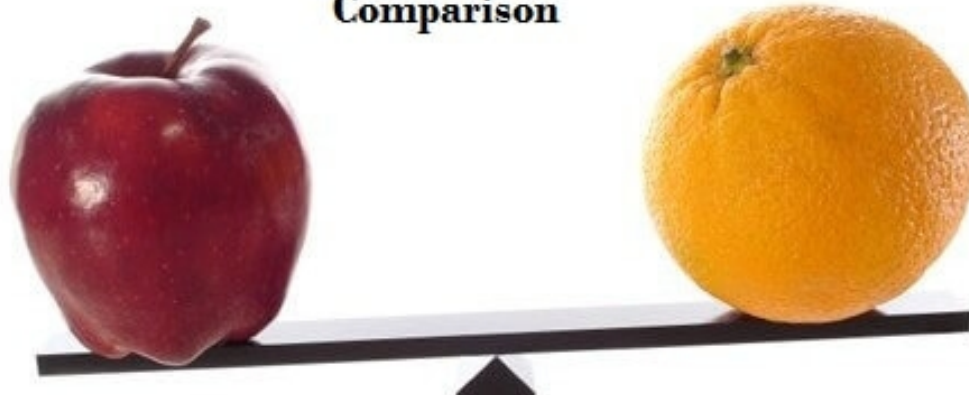


Characteristics of shopping products

- The shopping products are generally of durable nature, i.e., they normally survive many uses;
- The unit price as well as profit margin of shopping products is generally high;
- As these products have high unit price, customers compare the products of different companies before making selection;
- Purchases of shopping products are generally pre-planned and there is little degree of impulse buying in these products;
- Retailers generally play an important role in the sale of shopping products as lot of influential effort is needed to convince the buyers to purchase them.

HIGH PRICE

Comparison



Preplanned



Consumer Products

B. The extent of shopping efforts involved

3.Specialty Products

Speciality products are those consumer goods which have certain special features because of which people make special efforts in their purchase. These products are costly and their unit price is very high, the demand for these products is relatively inelastic.

Example- rare collection of art works, painting etc.,



Characteristics of the speciality products

- The demand for speciality products is limited as relatively small number of people buy these products
- These products are generally costly and their unit price is very high;
- These products are available for sale at few places as the number of customers is small and are willing to take extra efforts in the purchase of these products;

**Inelastic
Demand**

**TOO
COSTLY**



Types of consumer products-A Comparison

Bass	Convenience products	Shopping Products	Speciality products
Buying behaviour	Frequent purchase, Little effort(planning, comparison)	Less frequent purchase, much effort (planning and comparison of brands, price, quality, style etc.)	Special purchase efforts, little comparison, low price sensitivity
Price	Low price	Higher price	High price
Distribution	Wide spread distribution	Selective distribution, limited outlets	Exclusive distribution in only one or a few outlets
Examples	Soaps, tooth paste, pen, note books	Washing machine, TV, mobile phone, watch etc.	Luxury goods like RADO watch, designer clothing, rare painting etc.

2. Industrial Products

Industrial products are those products, which are used as inputs in producing other products .Examples of such products are raw materials, engines, lubricants, machines, tools, etc. In other words, industrial products are meant for non personal and business use for producing other products. The market for industrial products consists of manufacturers, transport agencies, banks and insurance companies, mining companies and public utilities.



Characteristics of industrial products

- Number of buyers of industrial products is limited as compared to consumer products.
- Since there are limited number of buyers industrial products are marketed through shorter channels of distribution i.e., direct selling or one level channel.
- Derived Demand- The demand for industrial products is derived from the demand for consumer products. For example, the demand for leather will be derived from demand for shoes and other leather products in the market.



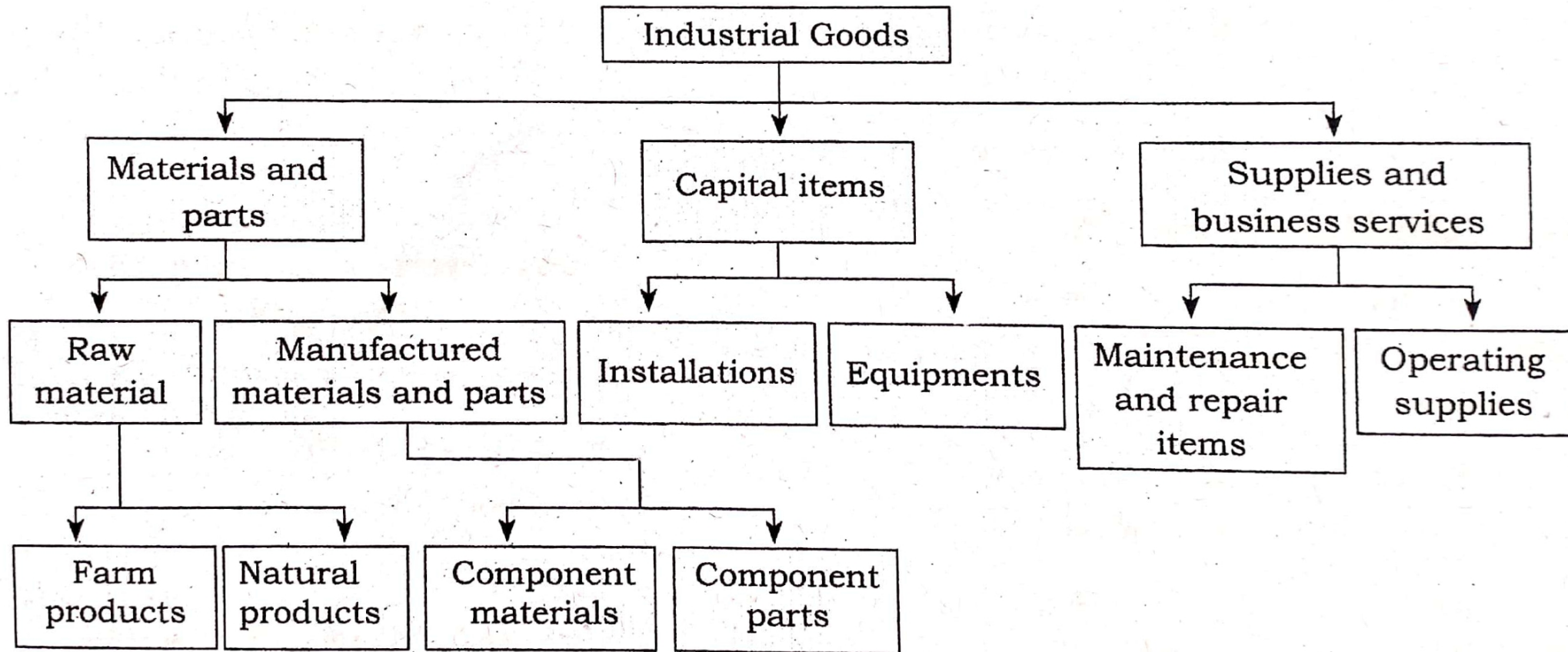
LIMITED

MARKET

DIRECT SELLING



Classification of Industrial goods



Installations — Example: Machinery.

Accessories — Example: Power Generator.

Raw materials — Example: Cotton, timber, etc.

Manufactured parts — Example: Radiator, battery, etc., needed by a car manufacturer.

Supplies or Consumables — Example: Lubricants, oils, etc.

Classification of Industrial products

1. Materials and Parts

2. Capital Items

3. Supplies and Business Services



Classification of Industrial products

1. Materials and Parts

These include goods that enter the manufacturer's products completely.

Materials goods are of two types:

(a) Raw material-These are basic products that enter into production process with little or no alteration. It includes **farm products** like cotton, sugar cane, and **natural products** such as minerals (say crude petroleum, iron ore), fish and lumber.

(b) Manufactured material and parts

These are again of two types – **component materials** like glass, steel sheets, plastic and **component parts** such as tyre, electric bulb, steering, and battery.



Classification of Industrial products

2.Capital Items

These are such goods that are used in the production of finished goods. These include: (a) Generators, special purpose machines machinery, elevators, mainframe Computers, and (b) equipments like Hand Tools, Personal Computer, Fax Machines, etc.



Classification of Industrial products

3. Supplies and Business Services

Supplies-These are short lasting goods and services that facilitate developing or managing the finished product. These include: (a) maintenance and repair items like Paint, Nails, greases etc., and (b) operating supplies like lubricant, Computer Stationary, Writing Paper, etc.

Services-Company needs a wide range services like building maintenance services, auditing services, legal services, courier services



A. Branding:

A brand is the identification of a product. It can be in the form of name, symbol, design etc. It is a part of product mix.

Examples- Close-up, Colgate, Fruity, Bata etc.

The process of giving a name or symbol to a product is called branding. Branding is used for product differentiation, building distinct image of the product and to popularize the product and its manufacturers(Ujala & Jyothy Laboratories).



Branding



popularise



Branding-Items related to branding

Brand: A brand is the identification of a product it can be in the form of name, symbol or both etc.

Example. Nike, Close-up, Pepsi etc.



Brand Name: The part of the brand which can be spoken is called brand name, it is the verbal part of a brand.

Example- HYUNDAI, Nike, Ujala



Brand Mark: The part of the brand which can't be spoken but can be recognized is known as brand mark.



Example- Red & Blue ball of Pepsi, logo of Nike etc.

Trade Mark: Trade mark is a legal version of a brand. It is a brand name or brand mark registered with legal authorities. All trademarks are brands but only **legally protected brands** are called trademarks.



Features of a good brand name



1.Brand name should be short and simple: The brand name should be short and simple. It should be easy to pronounce, spell, recognize and remember.

Example- Pepsi,Lux,Fanta,Innova,LG etc.



2.Suggest product's benefits: A brand name should suggest the product's benefits and qualities and should be appropriate to its function. **Example-** 'Ujala' suggests brightness, Reliance, Dairy Milk, Amul, Hair and Care suggests care of hairs etc.

3.The brand name should be unique and distinctive: The brand name should be unique and should not lose its identity.

Example- Vicks,Jeep,Lux etc



4.Meaningful: The brand name should be meaningful from the view points of other languages and culture. It should not be offensive and inappropriate in other languages.

UJALA®

5.Legal protection: The brand name should be capable of being registered and protected legally.

Advantages of branding- To Manufacturers

1.Helps in making product differentiation: Branding helps a firm in distinguishing its product from the products of competitors.



2.Helps in advertising: With the brand name advertising become more effective. Repetitive use of brand name ensures sale for his products.

3.Easy introduction of new products: The companies which use their company's name as brand name can easily introduce new product into the market. for Example ,Samsung extended the brand name of its television into washing machine, cell phone etc.



4.Differential pricing: With established brand name a firm can easily charge high price for its products as compared to competitor's products.



Example: prices of i Phone, price of BMW cars

Advantages of branding-To Customers

1.Helps in identification of products: Branding helps the customers to select the products easily. Once a customer is satisfied with a brand, there is no need of inspection every time. Thus shopping becomes easy for them.

2.Status Symbol: Now a day's use of branded goods adds to the status of customers and adds to their confidence level. Example Uses of BMW car, i phone,Parker pen, Rado watch etc.

3.Ensures Quality: Branding ensures a certain level of quality of the product. It create confidence in the mind of consumers and helps increasing the level of satisfaction.



B. Packaging

The companies always supply the products in packaged form for example, Pepsi comes in bottle, Surf in bag, biscuits in wrapper, oil in Jar etc. Packaging are the process of designing and producing appropriate wrapper, container or bag for the product. Packaging plays an important role in the marketing success or failure of products. It is a part of product mix.

- Packaging is essential for displaying necessary information regarding a particular product.
- Packaging reduces the risk of wastage, spoilage, leakage etc. in the process of transportation and storage.
- Packaging used as a promotional tool. Sometimes, it works even better than advertising.
- In self service store packaging plays an important role. Hence good package acts as a silent salesman.



Different levels of packaging

1.Primary packaging – It refers to the product's immediate container. Example tooth paste tube.

2.Secondary package – It refers to additional layers of protection that are kept till the product is ready for use. Example- toothpaste tube usually comes in a card board box.

3.Transportation package – It refers to further packaging of products necessary for storage and transportation. Example- a tooth paste manufacturer may send the goods to retailers in corrugated boxes containing 20 or 100 units.



Functions / Importance of Packaging

1.Product Protection – The fundamental function of packaging is that it protects the product from damage. Appropriate packaging protects the product from sun, rains, moisture, insects etc.

2.Product identification – With the help of packaging customers can easily identify a product.

3.Facilitating the use of the product – The size and shape of the package, should be such that there should be convenience in opening, handling, and using for the consumers. Example Shampoo package, shaving cream package etc.



Functions / Importance of Packaging

4.Product Promotion – Beautiful packages attract the consumers. It is used as a promotional tool.

5.Rising the standard of health – Packaging helps in preventing adulteration as the product is properly packed.

6.Product Differentiation -Packaging creates product differentiation. For example, by looking at the package of a product, say, hair oil, one can make some guess about quality of the product contained in it.



C. Labelling

Labelling means putting identification marks on the package. It provides information like name of the product, name of the manufacturer, weight price etc. The label may vary from a simple tag attached to the product to complex graphics that are part of the package. Labels are useful in providing detailed information about the product, its contents, method of use, etc. It is a part of product mix.



Nutrition Facts	
Serving Size 1 tbsp (20g) Servings Per Container about 26	
Amount Per Serving	
Calories 50	
% Daily Value*	
Total Fat 0g	0%
Sodium 0mg	0%
Total Carbohydrate 11g	4%
Sugars 10g	
Protein 0g	

Not a significant source of calories from fat, saturated fat, trans fat, cholesterol, dietary fiber, vitamin A, vitamin C, calcium, and iron.

*Percent Daily Values are based on a 2,000 calorie diet.

INGREDIENTS: STRAWBERRIES, CORN SYRUP, HIGH FRUCTOSE CORN SYRUP, SUGAR, CITRIC ACID, FRUIT PECTIN.

DISTRIBUTED BY THE KROGER CO., CINCINNATI, OHIO 45202.
MADE IN U.S.A.
98-5580
REFRIGERATE AFTER OPENING.



Functions performed by label

1. Describe the product and specify its contents – One of the most important functions of labels is to describe the product, its usage, manufacturing and expiry dates, price etc.

2. Identification of the product or brand – The label helps the customers to identify the product or brand from the various types available.

3. Helps in grading – With the help of label products can be graded in different categories. For example milma's milk packets in different colours.



4. Promote sales – Attractive and colorful labels excite customer and induce him to buy the product.



5. Providing information required by law – Labelling also provides information required by law. Example-statutory warning on the packet of cigarettes.

Pricing

Price refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, competition and other direct and indirect factors. Price mix refers to important decisions related to fixing of price of a commodity. Price are the crucial element of marketing mix because customer is very sensitive to this element. Little variation in the price may shift your customer to competitor's product.



Factors affecting price determination

1. Cost of the product – The price of the product is affected by its cost. The price must cover all production cost and fair return of profit. **Cost Rs.90 + Profit (10%) Rs.9. So Selling Price= Rs.99**

2. Extent of competition in the market – When a firm does not face any competition then it can enjoy complete freedom in fixing the price. If there is competition in the market, the price must be fixed by keeping in mind the price of competitors product.

3. Customer demand – If the demand of the product is inelastic the marketer can charge higher price without much loss of the market demand. If the demand is elastic, a small change in the price changes the demand by big magnitude (extent).



Factors affecting price determination

4. Government and legal regulation – In India the government controls the prices of certain products, such as edible oil, sugar, medicine etc., in view of public interest. In such situation, the firm will have to follow the price policy of the government.

5. Objective of the firm – What is the objective of firm is a very important factor which helps in deciding the price. For example, if the objective of company is profit maximization, then generally high price is fixed whereas the companies having the objective sales maximization prefer low price to increase the sales and capture a big share in the market.

6. Marketing methods used – Price determination is also affected by the distribution system, quality of salesmen employed, the type of packaging etc. For example, if a company provides free home delivery of goods, it can fix a relatively higher price for its product.

Pricing strategies

Broadly there are two pricing strategies. They are:-

- 1.Price skimming**
- 2.Penetration pricing**

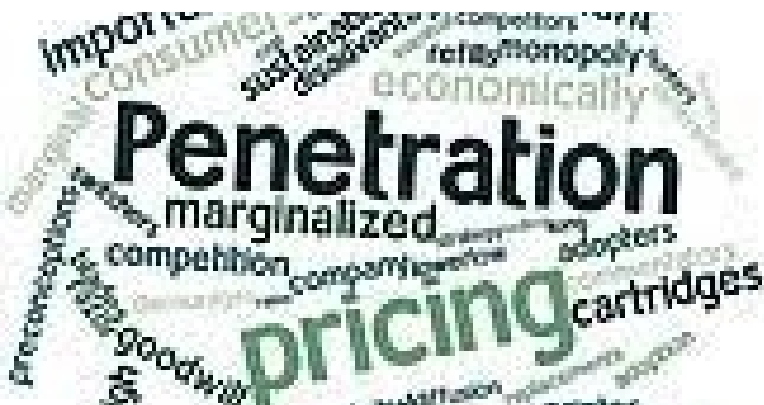
1.Price skimming – Under this strategy a high introductory price is charged for an innovative product and later on the price is reduced when more companies enter the market with same type of product. For example Apple,Samsung etc charged high price for their new products with latest technology. They will later reduce their price,when the same technology is used by other companies in their products. Generally innovators use price skimming strategy to get reward for their research and development.



Pricing strategies

2. Penetration pricing

Penetrating pricing means using lower initial price to capture a large market. These forces the customers to buy the product and company can capture a very big share in the market. Penetration pricing is attractive when price elasticity of demand is high and easy substitutes of that product are available. Reliance (Jio) company followed penetration pricing strategy when it introduced mobile phone service . Reliance offered mobile phone, call rate and data rate at very low price and it helps to capture big share in its market.



Reliance
jio



Place Mix/ Physical Distribution of Goods

Place mix refers to important decisions related to physical distribution of goods and services. If the product is not made available to the customers at the right place at the right time then customer would not be able to buy them. In case of physical distribution, there are two important decisions relating to this aspect:

1. Regarding channels of distribution
2. Regarding physical movement of goods.



Functions of Distribution Channels

1.Sorting-Middlemen procure goods from various manufactures and then they do sorting.i.e repack them according to quality, size or price.

2.Accumulation-This function involves accumulation of goods into larger homogeneous stocks, which help in maintaining continuous flow of supply.

3.Variety / Assortment-Middlemen maintain variety of goods. They produce goods from various manufactures and assemble them at one place so that consumer can fulfill his requirement by visiting one place only.

1



2



3



Functions of Distribution Channels

4.Allocation- Allocation involves breaking homogeneous stock into smaller, marketable lots. For example, once cashew nuts are graded and large quantities are built, these are divided into convenient packs of say 1 kg, 500 gms and 250 gms, to sell them to different types of buyers.

5.Promotion-Although promotion techniques are generally used by producers but middlemen also offer some sales promotional tools to attract the customers. For example discounts, contests etc.

6.Risk Taking-In the process of distribution of goods the merchant middlemen take title of the goods and thereby assume risks on account of price and demand fluctuations, spoilage, destruction, etc.

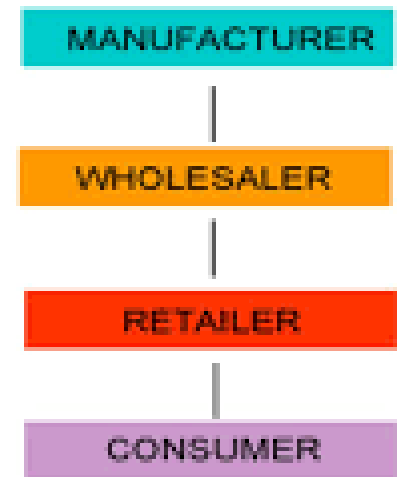


Types of Channels

The major types of channels are as follows:

1. Direct Channel (Zero Level)

2. Indirect Channels



DIRECT

INDIRECT

MANUFACTURER

CUSTOMER

MANUFACTURER

RETAILER

CONSUMER

EUREKA FORBES
Your friend for life



Types of Channels

1. Direct Channel (Zero Level)

The most simple and the shortest mode of distribution is direct distribution, where in the goods are made directly available by the manufacturers to customers, without involving any intermediary. This is also called zero level channels. Here a straight and direct relationship is established between the manufacturer and the customer.

For example- when a manufacturer sells his goods through his own retail outlets (e.g., Mc Donald, Bata); Similarly, mail order selling, internet selling and selling through own sales force, (e.g., Eureka Forbes) are example of direct selling or zero level channel.



Types of Channels

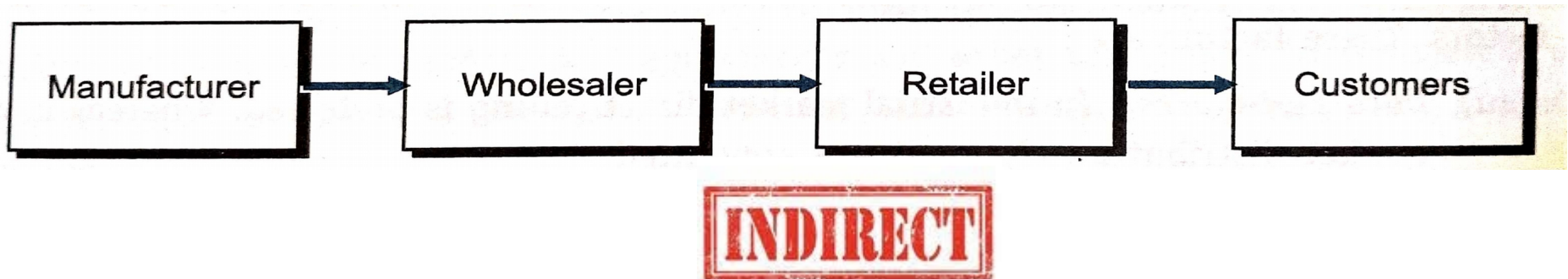
2. Indirect Channels

When a manufacturer employs one or more intermediary to move goods from the point of production to the point of consumption, the distribution network is called indirect. This may take any of the following forms:

1. Manufacturer-Retailer Consumer (One Level Channel):

2. Manufacturer-Wholesaler-Retailer -Consumer (Two Level Channel):

3. Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three Level Channel):



Types of Channels(Indirect)

1.Manufacturer-Retailer Consumer (One Level Channel)

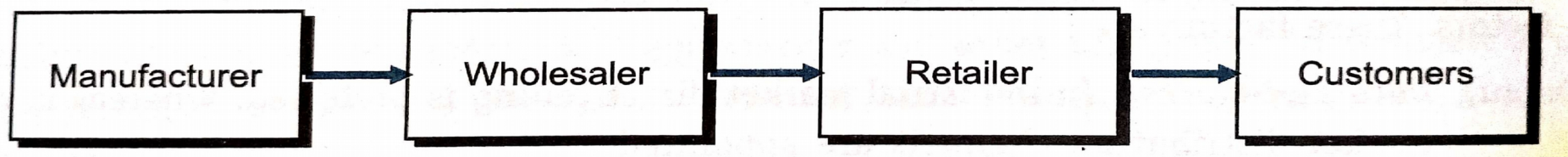
In this form of arrangement one intermediary i.e., retailers is used between the manufacturers and the customers.

For example, Maruti Suzuki sells its cars and vans through company approved retailers. This type of distribution network enables the manufacturers to cover wide area of market while retaining control over the Channels.



Types of Channels (Indirect)

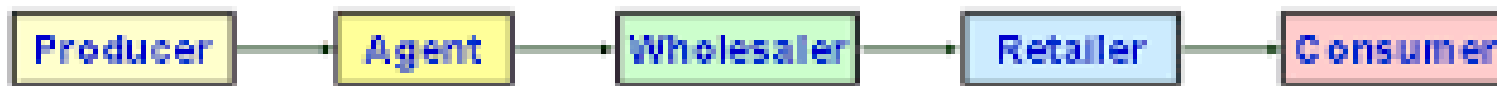
2.Manufacturer-Wholesaler-Retailer -Consumer (Two Level Channel): This is the most commonly adopted distribution network for most consumer goods like soaps, oils, clothes, rice, sugar and pulses. Here the wholesaler and retailer function as connecting links between the manufacturer and consumer



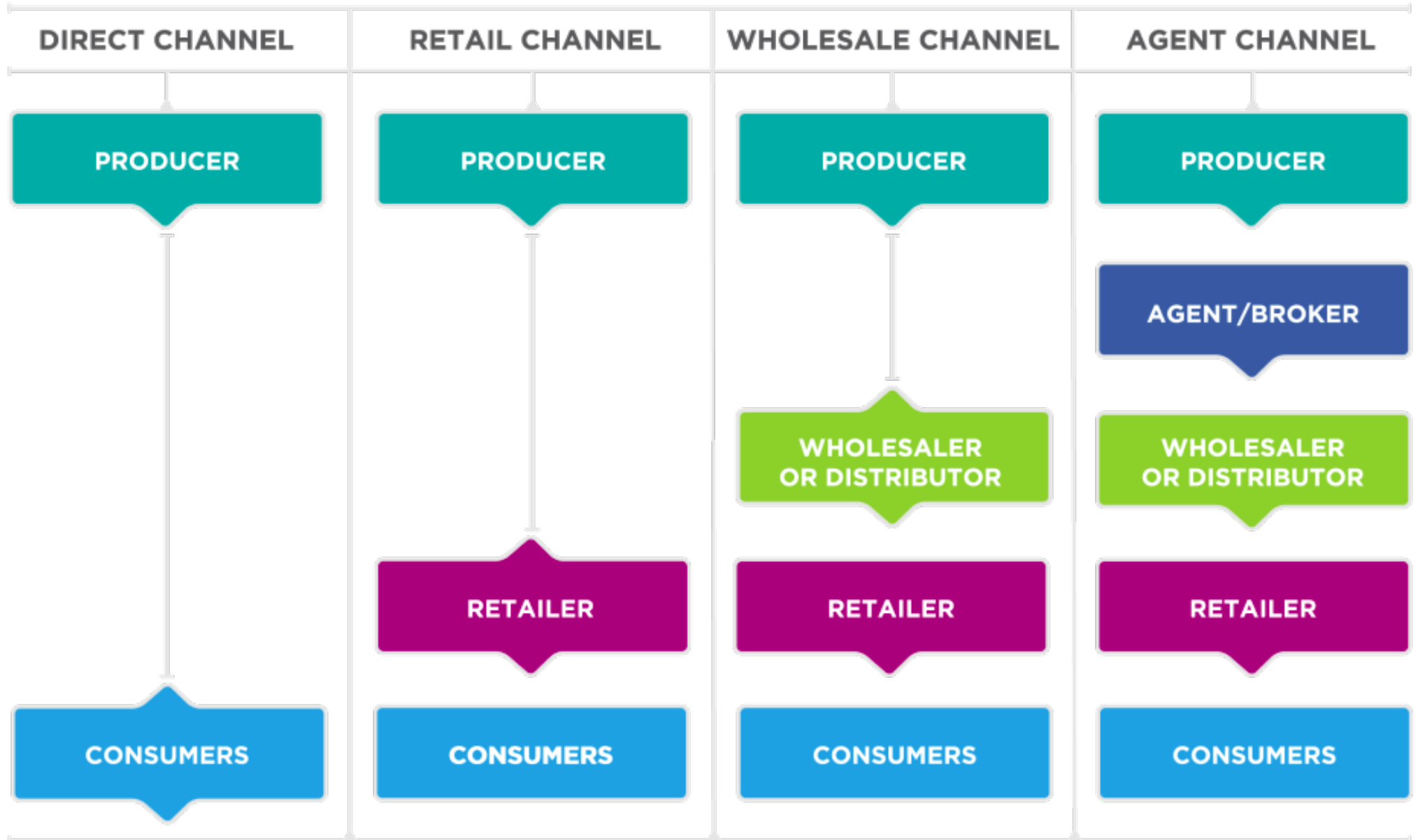
INDIRECT

Types of Channels (Indirect)

3. Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three Level Channel): In this case, manufacturers use their own selling agents or brokers who connect them with wholesalers and then the retailers. It is done particularly when the manufacturer carries a limited product line and has to cover a wide market. An agent in each major area is appointed, who in turn contact the wholesalers.



MARKETING CHANNELS FOR CONSUMER PRODUCTS



Factors Determining Choice of Channels

The choice of channels depends on various factors, which are discussed as follows:

1. Product Related Factors
2. Company Related Factors
3. Competitive Factors
4. Market Factors



FINANCIAL STRENGTH



Factors Determining Choice of Channels

1. Product Related Factors

a. Value of product- If the unit value of the product is high, direct sales from company is preferred. If product is less costly, longer channels are preferred.

b. Nature of Product- The customized product or product produced according to the instruction of customers required direct marketing. Standardized products could be sold by using various intermediaries.

c. Perishable products- Direct selling is used for perishable products.

d. Product complexity- Technically complex product requires expert advice and guidance so direct sale is preferred.



Factors Determining Choice of Channels

2. Company Related Factors

a. Finance- Direct selling involves lot of funds to be invested in fixed assets say for starting own retail outlets or engaging large number of sales force. Thus, if the firm has plenty of funds it may go for direct distribution. If spare funds are not available, it may go for indirect channels.

b. Degree of control- If the management want to have greater control on the channel members, short channels are used but if the management do not want more control over the middlemen, it can go in for longer channel or large number of intermediaries.

EUREKA
FORBES



Factors Determining Choice of Channels

3.Competitive Factors

The choice of channel is also affected by the channel selected by competitors in the same industry. If the competitor's have selected a particular channel the other firm may also like to select the similar channel.



Factors Determining Choice of Channels

4. Market related factors

a. Nature of market- In case of industrial products, the number of buyers is small, short channels are used. But if the number of buyers is large, as in case of most convenience products like soft drink, toothpaste etc., longer channels involving large number of intermediaries are used.

b. Size of the market- If the numbers of customers are large then more intermediaries are required and vice versa.

c. Geographical concentration- When buyers are concentrated in a limited area the direct selling is preferred and vice versa.

d. Size of order- if the size of order is small, as in case of most consumer products, large number of intermediaries may be used. But if the size of order is large, direct channels may be used.

II. Physical Distribution of Goods (Logistic Management)

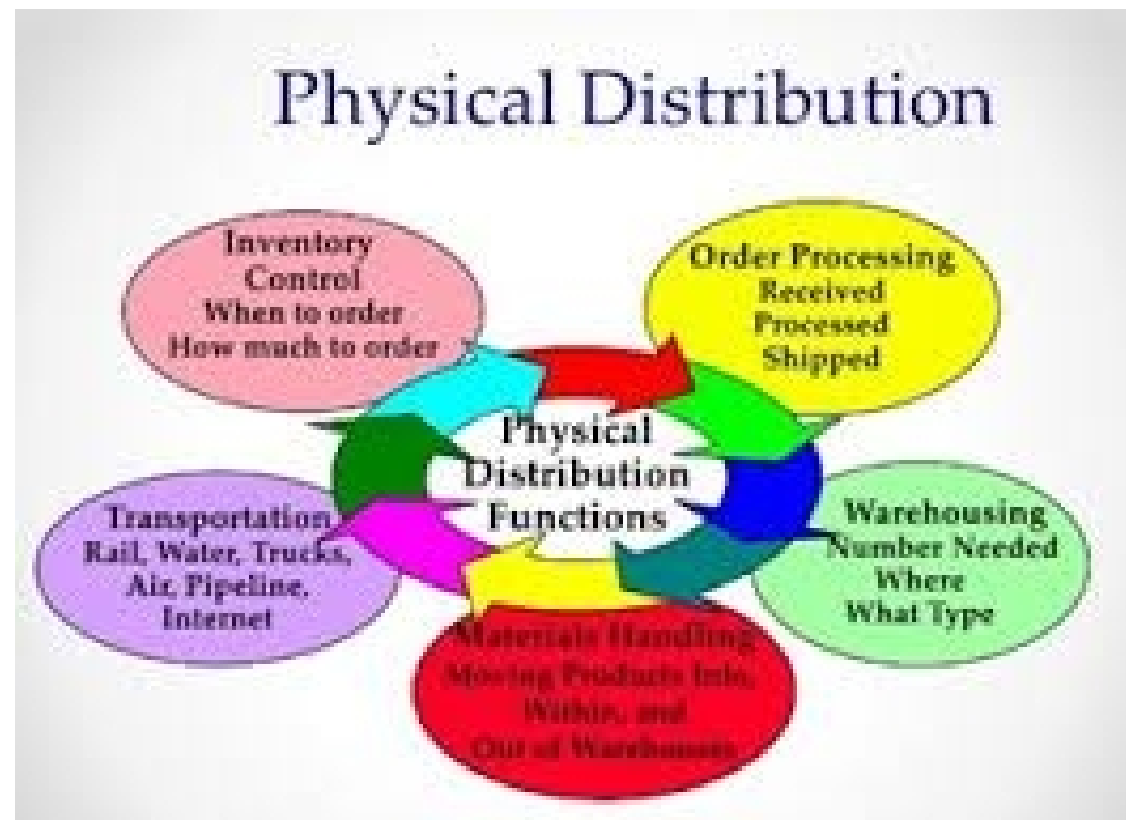
It is an important responsibility of the marketers to make the product physically available at a place where the customers would like them to buy. The physical handling and movement of goods from place of production to the place of distribution is referred to as physical distribution, which is a very important element of marketing mix. Important components of physical distribution of goods are:

1. Order Processing:

2. Transportation:

3. Warehousing

4. Inventory control



Components of Physical Distribution

1.Order Processing:Order processing means the time and steps involved between taking order from customer and delivery of goods as per order. There is direct relation between the time taken in order processing and satisfaction of customers .

2.Transportation:Transportation is the means of carrying goods and raw materials from the point of production to the point of sale .Transportation adds value to the goods by moving them to place where they are required, but it must be seen that the value added to product by transportation must be higher than the cost of transportation. There are various means of transpiration available i.e. rail road, air, water, pipeline etc.



Components of Physical Distribution

3.Warehousing: Whatever is produced may not be sold off immediately. Therefore every company needs to store the finished goods until they are sold in the market. The company must compare the cost involved in using warehouse and the benefits which the company gets and try to create a balance between both.

4.Inventory: Inventory refers to maintenance of stock of goods. So goods can be supplied whenever demanded. But inventory also involves costs. These include cost of capital blocked in and risk of price fluctuation. The firm must compare the benefits of inventory and the cost involved and accordingly maintain the optimum level of inventory should be maintained.



3

4



Advertising

Advertising is the most commonly used tool of promotion. Advertising provides information regarding benefits, price, availability etc. of goods and services. Common modes of advertising are news papers, magazines, television and radio. It is a part of promotion mix.

Features:

1. Paid Form: Advertising is a paid form of communication. That is, the sponsor has to bear a cost to communicate with customers.

2. Impersonality: There is no direct face-to-face contact between the customers and the advertiser. It is therefore, referred to as impersonal method of promotion.

3. Identified Sponsor: Advertising is undertaken by some identified individual or company. Eg. Times of India, Asianet, AIR



Advantages of advertising

1.Creates demand – Advertising helps to create demand by making people aware of new products and new uses of existing products.

2.Provides economies of scale – Advertising creates demand for the company's products, which facilitates large scale production. Large scale production leads to low cost of production per unit.

3.Educates consumers and makes shopping easier – Advertising educates consumers by providing useful information about the product. Advertising makes shopping easier for them.

Economies of Scale



Advantages of advertising

4.Facilitates introduction of new products

Advertising helps in introduction of new products by communicating the positive features of newly introduced products.

5.Enhance customer satisfaction and confidence-

Advertising media informs the consumers about the utility and uses of the product. Consumers feel more comforts and it increases their confidence level.

6.Improvement in the quality of the product –

The manufacturers of advertised goods go on improving their product, so that their reputation may be maintained in the market.



Advantages of advertising

7.Availability of the product at fair price

Advertising helps to increase sales and thereby reduced cost of production. Due to decreased cost of production these commodities are available at comparatively cheaper price.

8.Mass Reach:

Advertising is a medium through which a large number of people can be reached over a vast geographical area.

9.Encouragement to press work

Regular advertisement helps the press in reducing cost of publication.

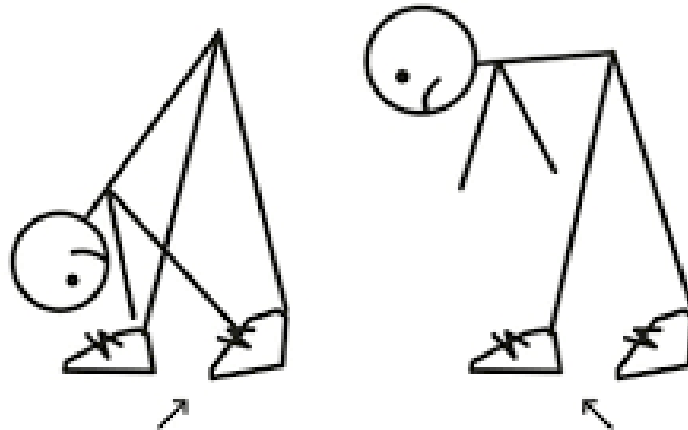


Limitations of Advertising

1.Lack of Feedback: The evaluation of the effectiveness of advertising message is very difficult as there is no immediate and accurate feedback mechanism of the message that is delivered.

2.Inflexibility: Advertising is less flexible as the message is standardised and is not tailor made to the requirements of the different customer groups.

3.Low effectiveness: As the volume of advertising is getting more and more expanded it is becoming difficult to make advertising messages heard by the target prospects. This is affecting the effectiveness of advertising.



Limitations of Advertising

4.It leads to monopoly

Advertising sometimes leads to monopoly in a particular brand of a product. By investing large sums in advertising of his brand, a big producer eliminates small producers of the same product from the market and creates brand monopoly. This leads to exploitation of consumers.

5.Less forceful: Advertising is an impersonal form of communication. It is less forceful than the personal selling as there is no compulsion on the prospects to pay attention to the message.



Limitations of Advertising

6. Increased price of the product

Advertising increases the cost of the product as the expenses on it form the part of the total cost of the product. The increased prices are borne by the consumers.

7. Multiplication of needs

Advertising creates artificial demand for the product and induces people to buy those products which are not needed by them.

8. Harmful for the society

Sometimes advertisements are un-ethical. Most often, these carry indecent language and virtually nude photographs in order to attract the customers. This adversely affects the social values.



Limitations of Advertising

9.Small Businesses Have Restricted Access

Small businesses cannot properly advertise their products due to limited resources. The entire market for many goods and services is dictated by the large companies through advertisement. This makes it virtually impossible for small businesses to compete, so they eventually disappear from the market.



Personal selling / Salesmanship

Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale. Companies appoint sales persons to contact prospective buyers and make them aware about the product and persuade the customer to buy the product. It is a part of promotion mix.

- Personal Communication
- Two way communication
- Contact only to a limited number of customers
- Direct feedback can be collected
- More useful for industrial and customised products



Features of personal selling

1. Personal Interaction – In personal selling the buyers and sellers have face to face interaction.

2. Two way communications – In personal selling the sellers give information about the product; at the same time the buyer get a chance to clarify his doubts. It is suitable for sale of complex products where buyer wants to interact with the manufacturer.

3. Relationship – When the seller and buyer comes together this may improve relationship between customer and seller.



Features of personal selling

4.Better response – When the seller is personally explaining the utilities of product to the customers then customer do pay some attention and listen to the information.

5.Better convincing – Personal selling is most effective form of promotion because with this sales person can convince the buyer by demonstration the use of product and making changes in the product according to the need of customer.



Difference between Advertising and Personal selling

Basis	Advertising	Personal Selling
Nature	Impersonal form of communication	Personal form of communication
Cost	Cost per person reached is very low	Cost per person is very high
Flexibility	Not flexible	Highly flexible
Media used	Use mass media such as News paper,TV,Radio etc	Make use of salesperson
Time	Covers the entire market in short time	Take long time to cover market
Feedback	Lacks direct feedback	Direct and immediate feedback

Sales promotion

Sales promotion refers to short term use of incentives or other sales promotional activities that stimulate the customer to buy the product. These include all promotional efforts other than advertising, personal selling and publicity, used by a company to boost its sales. Sales promotion activities include offering free samples, cash discounts, sales contests, free gifts, dealer discount etc. It is a part of promotion mix.



FREE SAMPLES

ENTIRE STOCK

**BUY ONE
GET 2nd ONE**

**50%
OFF**



Sales promotion techniques / Methods / Tools

The business enterprise adopts different measures to promote sales .These measures are mentioned as under.

1.Rebate –It is a special incentive offered by the manufacturer to the consumer through the dealer. It is basically a discount amount that can be used to lower the purchase price of the car. Example an offer to sell Maruti Alto car at a discount of Rs.10,000, for a limited period.

2.Discount – It is a practice of offering products at a price less than the list price. Example Woodland's offer of discount upto 30 % for shirts.



Sales promotion techniques / Methods / Tools

3.Refund –It means refunding a part of price paid by customer on presenting some proof of purchase,for example,on return of empty foils or wrappers get a refund of Rs.5.

4.Sampling – It means offering free sample of product to potential customers at the time of launch of a new product. This done to make customers try the product and learn about it .HUL's Surf Excel samples.

5.Contests – some firms hold contests for consumers .Consumers who buy the firm's product are given an opportunity to participate in the contest .Example Bournvitta Quiz contest, drawing competition,lucky draw contest etc.



Sales promotion techniques / Methods / Tools

6.Quantity gift – It means offering another product as gift along with the purchase of a product.Exaple “Buy two, get one free” .Gillette shaving cream’s offer 33% extra etc.

7.Product combinations – It means offering another product as gift along with the purchase of a product .Example Buy a 32” LED TV and get a DVD player free.

8.Financing – It is technique of sales promotion in which easy finance schemes are offered.

Example sellers of electronics goods commonly offer “Full finance @ 0%, 12easyinstallments”.



Publicity

Publicity is a non-paid form of impersonal communication. It is just like advertisement except that advertisement is a paid form whereas publicity is non-paid form. For example, some events are covered and reported by media at free of cost. It is part of promotion mix.

Features of publicity

- Unpaid form of communication
- There is no identified sponsor, when message is given to general public.

Paper News

എച്ച്പി ലോകത്തിലെ
ആദ്യത്തെ ലേസർ
ടാങ്ക് പ്രിന്റർ
പുറത്തിറക്കി

കൊച്ചി: ഇ
ന്ത്യൻ ബി
സി ന സി
ന് മികച്ച
സംഭാവന
യായി ഉയ
ർന്ന ശേ
ഷിയുള്ള എച്ച്പി നെവർ സ്റ്റോപ്പ്
ലേസർ പ്രിന്റർ എച്ച്പി പുറത്തി
റക്കി. എച്ച്പി നെവർ സ്റ്റോപ്പ് ലേ
സർ പ്രിന്റർ പെട്ടെന്നു റീലോഡ്
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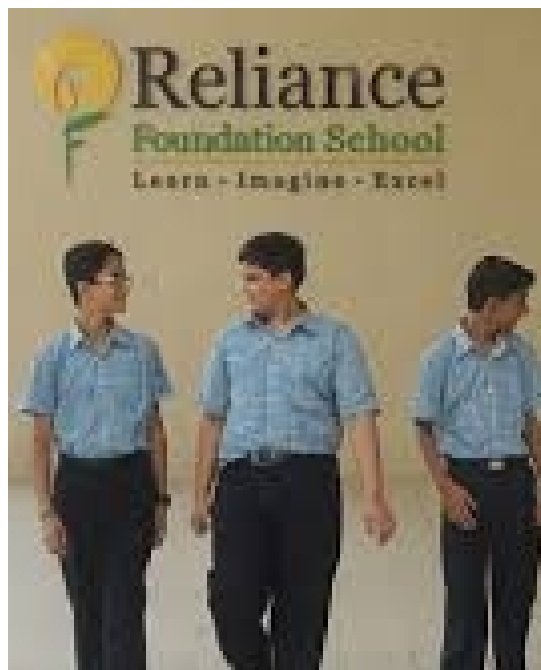
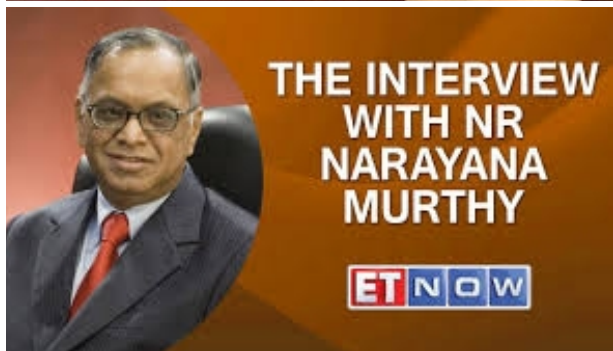
#NOTSPONSORED

DAVID BARNUM

Oh Yes! IT'S
FREE

Public Relations

Public relations means maintaining public relations with the public. Public relations involve a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public. Their main task is to disseminate information and build goodwill about the business. Concrete steps are to be taken to monitor the attitude of the general public and generate positive publicity. They are especially useful when there is negative publicity about the company or its products.



Tools to improve public relations

The company can use the following tools to improve their relations with public:

1.News-Sometimes companies get involved in such kind of activities or make such policies so that they get some positive coverage in news.

2.Speeches-The speeches given by the leaders of corporate sectors influence various members of public specially banks, share holders etc.

3.Press Conferences-Events refer to organizing press conferences, multimedia presentation etc.



Tools to improve public relations

4.Publish Annual report- Sometimes written materials such as Balance Sheet, annual reports, brochures etc. are circulated to various parties to improve and maintain public image of the company.

5.Public service activities- Some business houses often associate themselves with various social service projects such as women welfare programmes, charity shows, planting trees on road side, running schools, hospitals etc.



Wish You All Success



Prepared By

BINOY GEORGE, HSST
MKNM HSS, KUMARAMANGALAM
THODUPUZHA

