

JMBA31 MARKETING MANAGEMENT



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SYLLABUS

JMBA31 – MARKETING MANAGEMENT

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I	Fundamentals of Marketing –Market - Classification of Market - Role of Marketing - Importance – Modern Marketing – Marketing Functions - Concept of Marketing Mix –Marketing Approaches
II	Market Segmentation and product – Need And Basis of Segmentation -Product – Characteristics – Benefits – Classifications – Product Mix-New Product Development Process- Product Life Cycle
III	Pricing – Meaning - Objectives - Significance Basic Principles of pricing - Methods of pricing - pricing policies and strategies - pricing process - Factors affecting Pricing Decisions
IV	Physical Distribution: Meaning- Importance – Features - Type of channel of distribution - Function of channel members – Factors influencing the channel selection
V	Promotion - Promotion mix - Sales Promotion tools - Objectives - Importance - Factors determining promotion mix – Digital Marketing - Application and benefits

	Reading List
1	Philip Kotler & Gary Armstrong, Principles of Marketing: A South Asian Perspective, Pearson Education, 2018.
2	Rajan Saxena, Marketing Management, Tata Mc Graw Hill, 2017.
3	L.Natarajan, Marketing, Margham Publications, 2017.
4	J P Mahajan & Anupama Mahajan, Principles of Marketing, Vikas Publishing House, 2017.
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UNIT – I

FUNDAMENTALS OF MARKETING

Marketing is one of the most important activities in modern business organizations. It plays a vital role in identifying customer needs, developing suitable products, and delivering them efficiently to consumers. In earlier times, marketing was mainly concerned with the buying and selling of goods. However, in the modern business environment, marketing has become a comprehensive process that involves market research, product development, pricing, promotion, distribution, and customer relationship management.

Marketing is therefore considered the backbone of business success. Without effective marketing, even high-quality products may fail to reach customers. Modern organizations focus on understanding consumer behavior and creating value for customers in order to achieve long-term growth and sustainability.

1.1 Market

A market is a place or mechanism where buyers and sellers meet to exchange goods and services for money or other valuable consideration. In traditional economic terms, a market referred to a physical location such as a marketplace or bazaar where buyers and sellers conducted transactions. However, in modern marketing, the concept of a market has expanded beyond physical boundaries.

Today, markets can also exist in digital environments where buyers and sellers interact through electronic platforms. Online marketplaces such as Amazon allow consumers to purchase products from sellers located in different parts of the world without visiting a physical store.

According to the marketing scholar Philip Kotler, a market can be defined as *a set of actual and potential buyers of a product or service*. This definition highlights the importance of consumers in the marketing process.

For a market to exist, several essential elements must be present. These include buyers who have needs or desires, sellers who offer goods or services to satisfy those needs, and a mechanism for exchange that involves price and communication between the participants.

Modern technological developments have also led to the emergence of service markets. For example, transportation services offered through mobile applications such as Uber allow passengers to connect with drivers, creating a digital service marketplace.

1.2 Classification of Market

Markets can be classified in different ways depending on the criteria used. Common bases of classification include geographical area, nature of goods, degree of competition, and regulation. Understanding the classification of markets helps businesses design appropriate marketing strategies and identify target customers.

1.2.1 Classification Based on Area

1.2.1.1 Local Market

A local market operates within a small geographical area such as a village, town, or city. Goods sold in these markets are usually intended for local consumption and often include perishable products like fruits, vegetables, and fish.

1.2.1.2 National Market

A national market extends across the entire country. Products produced in one region are distributed and sold in many parts of the nation. For example, dairy products manufactured by Amul are available in different states across India.

1.2.1.3 International Market

An international market involves the exchange of goods and services between different countries. In such markets, products are exported and imported across national borders. For example, smartphones produced by Apple are sold in markets all over the world.

1.2.2 Classification Based on Nature of Goods

1.2.2.1 Consumer Market

Consumer markets consist of individuals and households who purchase goods for personal consumption. These goods include food items, clothing, electronics, and other household products. For example, customers purchasing sportswear from Nike belong to the consumer market.

1.2.2.2 Industrial Market

Industrial markets consist of organizations that purchase goods for further production, resale, or operational purposes. For instance, automobile manufacturers purchase automotive components from companies such as Bosch.

1.2.2.3 Service Market

Service markets involve the exchange of intangible services rather than physical goods. Examples include banking, healthcare, education, transportation, and entertainment services. A well-known example is the digital entertainment service provided by Netflix.

1.2.3 Classification Based on Competition

1.2.3.1 Perfect Market

A perfect market is characterized by a large number of buyers and sellers dealing in identical products. In such a market, no individual buyer or seller can influence the price, and prices are determined solely by demand and supply forces.

1.2.3.2 Imperfect Market

An imperfect market exists when there are limited sellers or when products are differentiated. In such markets, sellers may have some degree of control over prices. The global smartphone market is an example of an imperfect market where companies such as Samsung compete through innovation, branding, and product differentiation.

1.2.4 Classification Based on Regulation

1.2.4.1 Regulated Market

Regulated markets operate under the supervision of government authorities to ensure fair practices and protect the interests of participants. For example, stock markets in India are regulated by the Securities and Exchange Board of India.

1.2.4.2 Unregulated Market

Unregulated markets operate without strict government control. In such markets, prices are mainly determined by demand and supply forces. Informal street markets and local trading areas are common examples.

1.3 Role of Marketing

Marketing plays a crucial role in connecting producers with consumers. It ensures that goods and services produced by businesses reach customers efficiently and effectively.

1.3.1 Identifying Customer Needs

Marketing begins with understanding the needs and preferences of consumers. Companies conduct market research to understand customer behavior and expectations. For example, Coca-Cola regularly studies consumer preferences before introducing new beverages.

1.3.2 Creating Demand

Marketing creates awareness and demand for products through advertising, promotions, and public relations. Large companies such as PepsiCo invest heavily in promotional campaigns to attract customers.

1.3.3 Facilitating Exchange

Marketing brings buyers and sellers together and simplifies the process of buying and selling.

1.3.4 Building Customer Relationships

Marketing focuses on maintaining long-term customer relationships through loyalty programs, customer service, and engagement initiatives. For example, loyalty programs offered by Starbucks encourage repeat purchases.

1.4 Importance of Marketing

Marketing is essential for the success of business organizations, as well as for consumer and societal welfare.

1.4.1 Importance to Business

Marketing helps increase sales, build a strong brand, and expand into new markets. Companies such as Samsung have leveraged effective marketing to become global leaders.

1.4.2 Importance to Consumers

Marketing provides consumers with product information, ensures variety, and helps them make informed purchasing decisions.

1.4.3 Importance to Society

Marketing contributes to economic growth by creating employment, encouraging innovation, and improving the standard of living.

1.5 Modern Marketing

Modern marketing emphasizes customer satisfaction, value creation, and long-term relationships rather than just selling products. Technology, data analysis, and market research play a crucial role in modern marketing.

For example, Netflix uses advanced analytics to study viewing patterns and provide personalized recommendations.

1.6 Marketing Functions

1.6.1 Exchange Functions

Buying involves selecting and acquiring products that meet consumer needs. Selling involves persuading consumers to purchase products through various promotional activities.

1.6.2 Physical Distribution Functions

Transportation and warehousing are key distribution functions. Transportation moves goods from production to consumption locations, with logistics companies like DHL specializing in global delivery. Warehousing involves storing goods until they are needed by consumers.

1.6.3 Facilitating Functions

These include financing, risk-bearing, market research, and standardization of products. They help smooth the marketing process.

1.7 Concept of Marketing Mix

The marketing mix consists of tools that organizations use to achieve marketing objectives. Introduced by E. Jerome McCarthy The goods or services offered to meet customer needs. Example: Smartphones by Xiaomi.

1.7.2 Price – The amount customers pay. Example: Competitive pricing strategies by Realme.

1.7.3 Place – Channels to deliver products to customers. Example: Online retail platforms like Flipkart.

1.7.4 Promotion – Activities to inform and persuade customers. Example: Advertising campaigns by PepsiCo.

1.8 Marketing Approaches

1.8.1 Production Concept – Focuses on mass production and wide distribution. Example:

Early industrial era products by Henry Ford.

1.8.2 Product Concept – Focuses on quality, performance, and innovation. Example:

Apple’s premium products.

1.8.3 Selling Concept – Emphasizes aggressive selling and promotional efforts.

1.8.4 Marketing Concept – Focuses on satisfying customer needs better than competitors.

Example: Amazon’s customer-centric approach.

1.8.5 Societal Marketing Concept – Focuses on customer satisfaction, profit, and societal

welfare. Example: Tesla’s electric vehicles for sustainable transportation.

Check Your Progress

Choose the Correct Answer:

1. Which of the following best defines a market?

- a) A place where only sellers meet
- b) A system where buyers and sellers exchange goods and services
- c) A government-regulated trade zone
- d) A warehouse for storing products

Answer: b) A system where buyers and sellers exchange goods and services

2. Who defined a market as “a set of actual and potential buyers of a product or service”?

- a) E. Jerome McCarthy
- b) Philip Kotler
- c) Henry Ford
- d) Peter Drucker

Answer: b) Philip Kotler

3. Which of the following is NOT a classification of markets based on area?

- a) Local market
- b) National market
- c) International market
- d) Industrial market

Answer: d) Industrial market

4. Consumer markets are characterized by:

- a) Individuals and households buying for personal use
- b) Businesses buying for production purposes
- c) Government purchasing only
- d) Selling of industrial machines

Answer: a) Individuals and households buying for personal use

5. Which of the following is a function of marketing?

- a) Product design only
- b) Exchange, physical distribution, and facilitating functions
- c) Government regulation
- d) Manufacturing goods

Answer: b) Exchange, physical distribution, and facilitating functions

6. The 4Ps of the marketing mix include:

- a) Product, Price, Place, Promotion
- b) Product, Production, Packaging, Profit
- c) Planning, Pricing, Promotion, People
- d) Product, Place, Process, People

Answer: a) Product, Price, Place, Promotion

7. Modern marketing primarily focuses on:

- a) Selling products aggressively
- b) Mass production of goods
- c) Customer satisfaction and value creation
- d) Reducing costs only

Answer: c) Customer satisfaction and value creation

8. Which of the following is an example of a service market?

- a) Nike sportswear
- b) Bosch automotive components
- c) Netflix streaming service
- d) Apple iPhones

Answer: c) Netflix streaming service

9. Societal marketing concept emphasizes:

- a) Only company profit
- b) Customer satisfaction and societal welfare
- c) Aggressive sales promotion
- d) Mass production

Answer: b) Customer satisfaction and societal welfare

10. A perfect market is characterized by:

- a) A single seller controlling prices
- b) Few buyers and sellers
- c) Large number of buyers and sellers with identical products
- d) Government intervention in all sales

Answer: c) Large number of buyers and sellers with identical products

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define marketing and explain its importance.	CO1	Remember/Understand	PO1
2	What is a market? Give an example.	CO1	Understand	PO1
3	List the 4Ps of the marketing mix with examples.	CO2	Remember/Apply	PO2
4	Differentiate between consumer market and industrial market.	CO2	Understand/Analyze	PO1
5	Explain any two modern marketing approaches with examples.	CO3	Understand/Apply	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept of marketing and discuss its role and importance in modern business.	CO1	Understand/Analyze	PO1
2	Define a market. Explain the classification of markets with examples.	CO2	Understand/Analyze	PO1
3	Discuss the concept of marketing mix. Explain the 4Ps with suitable examples.	CO2	Understand/Apply	PO2
4	Describe the different marketing approaches and discuss the societal marketing concept with examples.	CO3	Understand/Apply/Analyze	PO3
5	Explain the functions of marketing and discuss how modern marketing differs from traditional marketing.	CO1/CO3	Understand/Analyze	PO1/PO3

UNIT – II

MARKET SEGMENTATION AND PRODUCT

Marketing success depends largely on understanding customer differences and designing products that satisfy specific needs. In modern competitive markets, businesses cannot effectively serve all customers with a single product or marketing strategy. Therefore, companies divide the market into smaller groups of customers with similar characteristics. This process is known as market segmentation.

At the same time, the product is the central element of marketing activities. A product is anything that can be offered to a market to satisfy a need or want. Businesses must carefully design products, manage product portfolios, and introduce new products in response to changing consumer demands.

Thus, market segmentation and product management together form an essential part of modern marketing strategy.

2.1 Market Segmentation

Market segmentation refers to the process of dividing a large market into smaller groups of consumers who have similar needs, characteristics, or purchasing behavior.

Different groups of customers may have different preferences, income levels, lifestyles, and expectations. By identifying these differences, companies can develop targeted marketing strategies for each segment.

For example, automobile companies produce different types of cars such as economy cars, luxury cars, and sports cars to serve different market segments.

Marketing expert **Philip Kotler** defines market segmentation as the process of dividing a market into distinct groups of buyers who require separate products or marketing mixes.

2.2 Need for Market Segmentation

Market segmentation is important because it allows businesses to serve customers more effectively and efficiently.

2.2.1 Better Understanding of Customer Needs

Segmentation helps companies understand the specific needs and preferences of different customer groups.

2.2.2 Efficient Use of Resources

Companies can focus their marketing efforts on specific target groups instead of trying to reach the entire market.

2.2.3 Competitive Advantage

Businesses can design products and marketing strategies that are better suited to particular segments, helping them compete effectively.

2.2.4 Improved Customer Satisfaction

Products and services designed for specific customer groups are more likely to meet consumer expectations.

2.2.5 Increased Profitability

By targeting profitable segments, businesses can increase sales and maximize profits.

2.3 Basis of Market Segmentation

Markets can be segmented based on different criteria depending on the nature of the product and the characteristics of customers.

2.3.1 Geographic Segmentation

This involves dividing the market based on geographical factors such as country, region, city, or climate.

Example: Clothing companies produce different types of clothing suitable for different climates.

2.3.2 Demographic Segmentation

This is one of the most common forms of segmentation and is based on variables such as age, gender, income, education, and occupation.

Example: Cosmetic products are often targeted at different age groups and genders.

2.3.3 Psychographic Segmentation

This segmentation is based on lifestyle, personality, values, and interests of consumers.

Example: Luxury brands target consumers who prefer a premium lifestyle.

2.3.4 Behavioral Segmentation

This segmentation focuses on consumer behavior such as usage rate, brand loyalty, and purchasing habits.

Example: Airlines offer special loyalty programs for frequent travelers.

2.4 Product

A product is anything that can be offered to a market for attention, acquisition, use, or consumption in order to satisfy a need or want.

Products may be **tangible goods**, such as clothing and electronics, or **intangible services**, such as education and transportation.

A successful product must deliver value to customers and differentiate itself from competing products in the market.

2.5 Characteristics of a Product

Products possess certain important characteristics that influence consumer purchasing decisions.

2.5.1 Tangibility

Some products are physical goods that can be seen and touched.

Example: Mobile phones, books, and furniture.

2.5.2 Intangibility

Some products are services that cannot be physically touched.

Example: Insurance, education, and banking services.

2.5.3 Ability to Satisfy Needs

A product must fulfill a specific consumer need or desire.

2.5.4 Exchange Value

Products are exchanged between buyers and sellers for money or other valuable consideration.

2.6 Benefits of a Product

Products provide various benefits to consumers.

2.6.1 Functional Benefits

These relate to the practical or utilitarian advantages of the product.

Example: A washing machine saves time and effort.

2.6.2 Psychological Benefits

These benefits relate to emotions, prestige, or self-image.

Example: Wearing branded clothing may provide a sense of status.

2.6.3 Social Benefits

Some products help consumers feel accepted in social groups.

Example: Using popular technology gadgets.

2.7 Classification of Products

Products can be classified based on their use and the type of consumer who purchases them.

2.7.1 Consumer Products

Consumer products are goods purchased by individuals for personal use.

These can be further classified as:

Convenience Products

Products purchased frequently with minimal effort.

Example: Soap, bread, and newspapers.

Shopping Products

Products for which consumers compare quality, price, and style before purchasing.

Example: Clothing, furniture, and electronics.

Specialty Products

Products with unique characteristics and strong brand identification.

Example: Luxury cars and designer watches.

2.7.2 Industrial Products

Industrial products are purchased by businesses for production, resale, or operational use.

Examples include machinery, raw materials, and industrial equipment.

2.8 Product Mix

The product mix refers to the total number of product lines and individual products offered by a company.

It includes four main dimensions:

2.8.1 Product Line

A group of related products offered by a company.

2.8.2 Product Width

The number of different product lines offered by a company.

2.8.3 Product Depth

The number of variations within a product line.

2.8.4 Product Consistency

The degree to which product lines are related in terms of production, distribution, or usage.

2.9 New Product Development Process

Businesses continuously develop new products to meet changing consumer needs and stay competitive.

The major stages include:

1. Idea Generation
2. Idea Screening
3. Concept Development and Testing
4. Business Analysis
5. Product Development
6. Test Marketing
7. Commercialization

Businesses continuously develop new products to meet changing consumer needs, technological advancements, and competitive pressures. The New Product Development (NPD) process involves a series of systematic steps through which a company transforms an idea into a successful marketable product. This process helps organizations reduce risks, improve product quality, and increase the chances of market success.

2.9.1 Idea Generation

Idea generation is the first stage in the new product development process. At this stage, companies collect a large number of ideas for new products from various sources such as employees, customers, research and development teams, competitors, and market trends. The objective is to generate as many ideas as possible without immediately evaluating them.

Companies may also use brainstorming sessions, customer feedback, and technological research to identify potential opportunities for innovation.

For example, engineers and designers at Apple often generate new product ideas by studying emerging technologies and consumer lifestyle changes. This process eventually led to the development of innovative products like the Apple Watch.

2.9.2 Idea Screening

Idea screening involves evaluating the ideas generated in the previous stage and eliminating those that are not feasible or profitable. Companies analyze each idea based on factors such as market demand, production cost, technical feasibility, and company objectives. This stage ensures that only the most promising ideas move forward in the development process, thereby saving time and resources.

For example, before introducing a new smartphone model, Samsung evaluates multiple design and feature ideas. Only those ideas that meet consumer expectations and align with the company's strategy are selected for further development.

2.9.3 Concept Development and Testing

In this stage, the selected idea is developed into a detailed product concept that clearly explains how the product will function and what benefits it will provide to consumers. The concept is then tested with a small group of target customers to understand their reactions and preferences. Feedback collected from potential consumers helps the company refine the concept and improve the product design.

For instance, before launching a new beverage, PepsiCo may present the product concept and sample flavors to a group of consumers to gather opinions about taste, packaging, and branding.

2.9.4 Business Analysis

Business analysis involves evaluating the commercial viability of the new product. At this stage, companies estimate potential sales, production costs, profit margins, and long-term financial performance. Detailed forecasts and financial calculations are conducted to determine whether the product will be profitable. If the expected benefits outweigh the costs and risks, the product proceeds to the next stage.

For example, when Tesla plans a new electric vehicle model, it conducts extensive business analysis to estimate manufacturing costs, potential sales, and market demand before final approval.

2.9.5 Product Development

During the product development stage, the product concept is transformed into a physical product or prototype. Engineers, designers, and technical experts work together to create the actual product design and test its functionality, safety, and performance. Several prototypes may be produced and tested to ensure that the final product meets quality standards and customer expectations.

For example, automobile companies such as Toyota build multiple prototype vehicles and conduct rigorous testing before introducing a new car model to the market.

2.9.6 Test Marketing

Test marketing involves launching the product in a limited geographic area or among a specific group of consumers before the full-scale commercial launch. This stage helps companies evaluate customer response, market acceptance, pricing strategy, and promotional effectiveness. The results obtained from test marketing help businesses identify potential problems and make necessary adjustments.

For example, fast-food chains like McDonald's often test new menu items in selected cities to analyze customer reactions before offering them nationwide.

2.9.7 Commercialization

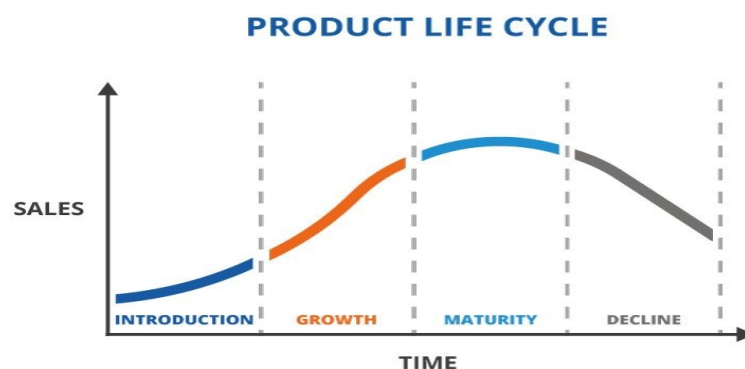
Commercialization is the final stage of the new product development process. In this stage, the product is officially launched in the market on a large scale. Companies invest in advertising, distribution, and promotional activities to create awareness and attract customers. The success of this stage depends on effective marketing strategies and strong distribution networks.

For example, when Xiaomi launches a new smartphone model, it conducts large promotional campaigns and distributes the product through online platforms and retail stores to reach a wide audience.

2.10 Product Life Cycle

The **Product Life Cycle (PLC)** refers to the stages through which a product passes from its introduction in the market until its eventual decline and withdrawal. Just like living organisms, products also have a life cycle that includes growth, maturity, and decline. Understanding the product life cycle helps companies develop appropriate marketing strategies at each stage to maximize profits and extend the product's market presence.

The Product Life Cycle typically consists of **four main stages: Introduction, Growth, Maturity, and Decline**. Each stage has different characteristics in terms of sales, profits, competition, and marketing strategies.



2.10.1 Introduction Stage

The introduction stage begins when a new product is launched in the market for the first time. During this stage, consumer awareness about the product is low, and the company must invest heavily in promotion and advertising to inform potential customers about the product and its benefits. Sales usually grow slowly because consumers take time to accept new products. Production costs may also be high due to limited manufacturing scale.

For example, when Apple introduced the first iPhone, the company spent significant resources on marketing campaigns and demonstrations to educate consumers about the new touchscreen smartphone technology.

2.10.2 Growth Stage

In the growth stage, the product begins to gain acceptance in the market, and sales increase rapidly. As more consumers become aware of the product and its benefits, demand grows significantly. At this stage, profits also increase because production becomes more efficient and sales volumes rise. However, competitors may enter the market with similar products, increasing competition.

For instance, after the success of the initial iPhone models, many smartphone manufacturers such as Samsung introduced competing smartphones, which expanded the overall smartphone market and increased consumer adoption.

2.10.3 Maturity Stage

The maturity stage occurs when the product reaches its peak in terms of market penetration and sales growth begins to slow down. At this stage, most potential customers already own the product, and the market becomes saturated. Competition becomes intense as many companies offer similar products, leading to price competition and increased promotional efforts.

To maintain market share, companies may introduce product improvements, new features, or promotional offers. For example, smartphone companies frequently release upgraded models with better cameras, improved battery life, and enhanced features to sustain customer interest.

2.10.4 Decline Stage

The decline stage occurs when sales and profits begin to decrease due to changes in consumer preferences, technological advancements, or the introduction of better alternatives. During this stage, companies may reduce marketing efforts, discontinue the product, or attempt to reposition it for a niche market.

A good example is the decline of DVD players after the rise of digital streaming platforms such as Netflix, which allowed consumers to watch movies and shows online without using physical media.

Understanding the product life cycle enables companies to anticipate market changes and adapt their marketing strategies accordingly. By managing products effectively at each stage of the life cycle, businesses can maximize profitability and extend the longevity of their products in the market.

Check Your Progress

Choose the Correct Answer:

1. Market segmentation refers to:

- a) Increasing production of goods
- b) Dividing a market into smaller groups of consumers
- c) Selling products at lower prices
- d) Advertising products in different media

Answer: b) Dividing a market into smaller groups of consumers

2. Which of the following is NOT a basis of market segmentation?

- a) Geographic
- b) Demographic
- c) Psychographic
- d) Mechanical

Answer: d) Mechanical

3. Geographic segmentation is based on:

- a) Age and gender
- b) Location or region
- c) Lifestyle and personality
- d) Income level

Answer: b) Location or region

4. A product can be defined as:

- a) Only a physical object
- b) Anything that satisfies a need or want
- c) Only industrial machinery
- d) Only services

Answer: b) Anything that satisfies a need or want

5. Which of the following is a characteristic of a product?

- a) Ability to satisfy human needs
- b) Only physical form
- c) Only luxury usage
- d) Only industrial use

Answer: a) Ability to satisfy human needs

6. Functional benefits of a product refer to:

- a) Emotional satisfaction
- b) Practical use or utility of the product
- c) Social recognition
- d) Brand popularity

Answer: b) Practical use or utility of the product

7. Convenience products are:

- a) Purchased frequently with little effort
- b) Very expensive products
- c) Rarely purchased goods
- d) Industrial machinery

Answer: a) Purchased frequently with little effort

8. Product mix refers to:

- a) Price and promotion of products
- b) Total range of products offered by a company
- c) Packaging and labeling
- d) Only a single product line

Answer: b) Total range of products offered by a company

9. The first stage in the new product development process is:

- a) Product development
- b) Idea generation
- c) Test marketing
- d) Commercialization

Answer: b) Idea generation

10. The stage in which product sales start declining is called:

- a) Introduction stage
- b) Growth stage
- c) Maturity stage
- d) Decline stage

Answer: d) Decline stage

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define market segmentation.	CO1	Remember	PO1
2	State the need for market segmentation.	CO1	Understand	PO1
3	List the bases of market segmentation.	CO2	Remember	PO2
4	Define product and state its characteristics.	CO1	Understand	PO1
5	Explain the concept of product life cycle.	CO3	Understand	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept of market segmentation and discuss its need and basis.	CO1	Understand/Analyze	PO1
2	Define product and explain its characteristics and benefits.	CO1	Understand	PO1
3	Discuss the classification of products with suitable examples.	CO2	Understand/Apply	PO2
4	Explain the concept of product mix and its components.	CO2	Understand/Analyze	PO2
5	Describe the new product development process and explain the stages of the product life cycle.	CO3	Understand/Apply/Analyze	PO3

UNIT – III

PRICING

Pricing is one of the most critical elements of marketing because it directly affects a company's revenue, profitability, and market positioning. Unlike other elements of the marketing mix, pricing generates revenue rather than incurring costs, making it strategically vital for business sustainability. A well-planned pricing strategy ensures that a business achieves its financial goals, creates perceived value for customers, influences purchasing decisions, and establishes a strong competitive position. For example, Apple positions its iPhones as premium products with high prices to reflect innovation, quality, and brand prestige, while Xiaomi attracts cost-sensitive consumers by offering smartphones with similar features at lower prices.

3.1 Meaning of Pricing

Pricing is the process of determining the amount of money a customer must pay to acquire a product or service. It serves as a critical link between the product and the market and reflects the perceived value, utility, and quality of the product. Effective pricing ensures that the company covers production, distribution, and marketing costs while earning a reasonable profit. Pricing decisions are influenced by costs, demand, competition, government regulations, product life cycle, and brand image.

3.2 Objectives of Pricing

The objectives of pricing vary depending on a company's marketing and business strategies.

3.2.1 Profit Maximization

One primary objective is to set prices to achieve maximum profit. For example, software companies price their subscription services to maximize revenue over a specific period.

3.2.2 Market Penetration

Companies may set low prices initially to attract a large number of customers and capture market share. Budget smartphones often follow this approach.

3.2.3 Market Skimming

Market skimming involves charging a high price initially and gradually lowering it over time to reach different customer segments. Premium electronics, such as OLED TVs, frequently use this strategy.

3.2.4 Survival

During challenging market conditions, companies may set prices to cover costs and maintain operations. Small businesses often reduce prices during economic downturns to maintain cash flow.

3.2.5 Customer Satisfaction

Pricing also aims at customer satisfaction, ensuring that prices reflect fairness and value, which strengthens loyalty and long-term trust. FMCG companies like Hindustan Unilever price essential goods affordably to retain customers.

3.3 Significance of Pricing

Pricing decisions are significant because they influence revenue, profit, market positioning, consumer perception, and competitiveness. Pricing helps establish a product as high-end, value-for-money, or affordable. For example, Samsung balances smartphone pricing to maintain competitiveness while sustaining profit margins.

3.4 Basic Principles of Pricing

Companies follow several key principles when setting prices. These principles ensure that pricing decisions are strategic, customer-focused, and aligned with business objectives.

3.4.1 Customer Value Principle

The Customer Value Principle emphasizes that prices should reflect the value that customers perceive in a product or service rather than just the production cost. Customers are willing to pay higher prices if they perceive the product as superior, innovative, or offering greater utility. For example, Apple prices its iPhones and MacBooks significantly higher than competing brands because customers associate Apple products with high quality, reliability, and brand prestige. Similarly, luxury brands like Louis Vuitton charge premium prices for handbags and accessories because consumers perceive them as status symbols.

3.4.2 Cost Principle

The Cost Principle ensures that prices must at least cover all costs involved in producing, distributing, and marketing the product, while also providing a reasonable profit margin. This principle is fundamental to ensure business sustainability and avoid losses. For example, a manufacturing company like Nestle calculates the total cost of producing a chocolate bar, including raw materials, labor, packaging, and transportation, and then adds a markup to set the selling price. Without covering costs, businesses cannot sustain operations or invest in growth.

3.4.3 Competition Principle

The Competition Principle highlights that pricing decisions should take competitors' prices and strategies into account. In highly competitive markets, ignoring competitors can lead to loss of market share or overpricing. For instance, in the smartphone market, Samsung sets its prices close to competitors like Xiaomi and OnePlus to remain competitive while maintaining brand differentiation. Similarly, in the airline industry, carriers constantly adjust ticket prices based on the pricing strategies of other airlines flying the same routes.

3.4.4 Flexibility Principle

The Flexibility Principle emphasizes that prices should allow adjustments based on seasonal demand, market conditions, or unforeseen economic changes. Flexible pricing enables companies to respond to market fluctuations, increase sales, or maintain profitability. For example, e-commerce platforms like Amazon use dynamic pricing during festive sales, Black Friday, or high-demand periods to attract customers and optimize revenue. Seasonal products, such as winter jackets, are often discounted at the end of the season to clear inventory.

3.4.5 Consistency Principle

The Consistency Principle stresses that pricing decisions must align with the overall marketing strategy, brand positioning, and business objectives. Inconsistent pricing can confuse customers, damage brand image, and undermine marketing efforts. For instance, Tesla maintains consistent premium pricing for its electric cars across different markets, reinforcing its brand image as a high-quality, innovative, and sustainable automotive company. On the other hand, frequent unexplained discounts could reduce perceived value and customer trust.

3.5 Methods of Pricing

Businesses adopt different methods of pricing depending on their objectives, market conditions, product type, and target customers. Each method has its own advantages and is suitable for specific market scenarios.

3.5.1 Cost-Based Pricing

Cost-Based Pricing is one of the simplest and most widely used pricing methods. In this approach, the selling price is determined by adding a fixed markup to the total cost of producing the product, which includes raw materials, labor, packaging, and distribution. This method ensures that the company covers its costs and earns a predetermined profit margin.

Manufacturing companies commonly use this method because it provides financial stability and predictability. For example, a company like Nestle calculates the total cost of producing a chocolate bar and adds a percentage markup to arrive at the retail price. Similarly, small-scale manufacturers often use cost-plus pricing to ensure they do not incur losses while remaining competitive.

3.5.2 Value-Based Pricing

Value-Based Pricing focuses on setting prices based on the perceived value or benefit that the product provides to the customer rather than the cost of production. This approach is often used by premium and luxury brands where customers are willing to pay more for superior quality, innovation, or brand prestige. For instance, Rolex sets high prices for its watches because consumers perceive them as symbols of status, precision, and luxury. Similarly, Apple uses value-based pricing for iPhones, as customers are willing to pay a premium for innovation, ecosystem integration, and brand reputation. This method allows businesses to maximize profits while reinforcing brand value.

3.5.3 Competition-Based Pricing

Competition-Based Pricing involves setting prices by considering the pricing strategies of competitors. This approach is particularly effective in highly competitive markets, where prices are a key factor in attracting and retaining customers. Companies using this method analyze competitors' pricing, quality, features, and market positioning before deciding their own price. For example, in the smartphone industry, Samsung often sets its product prices close to competitors like Xiaomi and OnePlus, ensuring competitiveness while maintaining brand differentiation. Similarly, airlines adjust ticket prices in response to competitors' fares for the same routes, which helps them remain competitive without losing customers.

3.5.4 Dynamic Pricing

Dynamic Pricing is a flexible pricing method where prices fluctuate in real-time based on changes in demand, supply, market conditions, or customer behavior. This approach is widely used in e-commerce, hospitality, travel, and event ticketing industries. E-commerce platforms like Amazon implement dynamic pricing during festive sales, Black Friday, or peak demand periods to optimize revenue. Ride-sharing companies like Uber also use dynamic pricing, increasing fares during high-demand times or bad weather to balance demand and supply. Dynamic pricing allows businesses to maximize profits while responding flexibly to market conditions.

3.6 Pricing Policies and Strategies

Pricing policies and strategies guide businesses in setting and adjusting prices to achieve their marketing and financial objectives. While **pricing policies** provide the framework for consistent pricing decisions, **pricing strategies** focus on long-term approaches to achieve specific goals such as market share, profitability, or brand positioning. Both are essential for maintaining competitiveness and customer satisfaction.

3.6.1 Pricing Policies

Skimming Policy involves setting a high initial price for a new product to quickly recover development and marketing costs. This policy is often used for innovative or technologically advanced products where early adopters are willing to pay a premium. For example, when Sony launched its high-end PlayStation consoles, the initial prices were set high to recover R&D expenses and attract tech-savvy gamers.

- ✓ **Penetration Policy** is the opposite approach, where a company sets a low initial price to attract a large customer base and gain market share quickly. This policy is common for new products entering competitive markets. For instance, budget smartphone

brands like Realme initially price their devices lower than competitors to build a customer base and establish brand presence.

- ✓ **Discount Policy** refers to temporarily reducing prices to stimulate sales, clear inventory, or encourage repeat purchases. Seasonal discounts on clothing or festive sales in e-commerce platforms like Flipkart are examples of how discount policies increase short-term demand while maintaining customer interest.
- ✓ **Psychological Pricing** leverages the perception of value to make prices appear more attractive. For example, pricing a product at ₹199 instead of ₹200 creates a perception of affordability and can influence customer buying decisions. Retailers and FMCG companies frequently use this technique to subtly encourage purchases.

3.6.2 Pricing Strategies

- ✓ **Premium Pricing** is a strategy where high prices are maintained to reflect superior quality, brand status, or exclusivity. Luxury brands like Rolex or Apple use premium pricing to reinforce brand perception and attract status-conscious customers.
- ✓ **Economy Pricing** targets price-sensitive consumers by offering products at lower prices without additional frills. For example, discount supermarkets like D-Mart sell basic grocery items at competitive prices to appeal to cost-conscious buyers.
- ✓ **Bundle Pricing** involves selling multiple products together at a lower combined price than if purchased individually. This strategy encourages higher sales volumes and increases perceived value. For instance, fast-food chains like McDonald's offer combo meals, including a burger, fries, and drink, at a price lower than purchasing each item separately.
- ✓ **Promotional Pricing** refers to temporary reductions in price to stimulate demand or attract attention to a product or brand. E-commerce companies like Amazon frequently use promotional pricing during events such as Diwali sales or Black Friday

to boost sales and encourage repeat purchases. Similarly, software companies may offer limited-time discounts on subscriptions to attract new users.

3.7 Pricing Process

The pricing process is a systematic approach that ensures businesses set effective prices to achieve their objectives while remaining competitive and profitable. It involves multiple steps, each critical in determining the final price of a product or service.

3.7.1 Setting Objectives

The first step in the pricing process is defining clear objectives. Companies must identify what they aim to achieve through pricing, such as maximizing profit, increasing market share, achieving survival during tough market conditions, or reinforcing a premium brand image. For example, Tesla sets premium pricing for its vehicles to reflect innovation and exclusivity, while budget smartphone brands like Realme may set low prices to gain rapid market share.

3.7.2 Estimating Demand

Once objectives are set, the company must estimate demand to predict how customers will respond to different price levels. This involves market research, consumer surveys, and analyzing past sales data. For instance, e-commerce platforms like Amazon use historical sales data and predictive analytics to forecast customer behavior and optimize dynamic pricing during high-demand periods.

3.7.3 Determining Costs

The next step is determining all relevant costs, including production, distribution, marketing, and overheads. Pricing must cover these costs to ensure sustainability. For example, a chocolate manufacturer like Nestle calculates the cost of raw materials, packaging, transport, and marketing before adding a profit margin to set the retail price.

3.7.4 Analyzing Competitors

Companies must then analyze competitors' pricing strategies to understand market standards and customer expectations. This helps businesses position their products effectively and avoid overpricing or underpricing. For example, Samsung monitors pricing of Xiaomi, OnePlus, and Apple smartphones to remain competitive while maintaining profitability. Airlines also frequently adjust ticket prices based on competitors' fares for the same route.

3.7.5 Selecting Method and Strategy

After understanding costs, demand, and competition, the company selects an appropriate pricing method and strategy aligned with its objectives. This could involve cost-based pricing, value-based pricing, penetration pricing, skimming pricing, or dynamic pricing. For example, luxury brands like Rolex adopt value-based and premium pricing strategies, while FMCG companies like Hindustan Unilever may use penetration or economy pricing.

3.7.6 Setting the Price

The final step is setting the actual selling price based on the chosen method, strategy, and market analysis. Companies must ensure the price achieves objectives, covers costs, and remains acceptable to the target audience. For example, new gaming consoles often have carefully calculated launch prices to recover R&D costs while remaining attractive to early adopters.

3.7.7 Monitoring and Adjusting

Finally, pricing is not static. Companies must continuously monitor market response and adjust prices when necessary. This may involve responding to changes in demand, cost fluctuations, competitor actions, or customer feedback. Ride-hailing services like Uber adjust fares in real-time based on demand surges or traffic conditions, demonstrating the importance of flexible pricing adjustments.

3.8 Factors Affecting Pricing Decisions

Pricing decisions are influenced by a combination of internal and external factors. A company must carefully evaluate these factors to set prices that meet business objectives, satisfy customers, and remain competitive in the market.

3.8.1 Cost of Production

The cost of production is one of the most fundamental factors affecting pricing. It determines the minimum price a company can charge to avoid losses. This includes direct costs such as raw materials, labor, and manufacturing, as well as indirect costs such as marketing, distribution, and overheads. For example, a chocolate manufacturer like Nestle calculates the total cost of producing a chocolate bar before adding a markup to set the retail price. Without covering production costs, the company cannot sustain operations.

3.8.2 Consumer Demand

Consumer demand plays a critical role in pricing. When demand for a product is high, companies can charge higher prices, while lower demand may require price reductions to attract customers. For example, during the festive season, e-commerce platforms like Amazon may raise prices on high-demand items such as smartphones or home appliances, while seasonal products like winter clothing are often discounted at the end of the season to stimulate sales.

3.8.3 Competition

Pricing must take into account competition in the market. Businesses need to ensure that their prices are competitive to avoid losing customers. For instance, smartphone manufacturers like Samsung constantly monitor pricing strategies of rivals such as Xiaomi and OnePlus to position their products effectively without undercutting profitability. Similarly, airlines adjust fares based on competitors' ticket prices for the same route.

3.8.4 Company Objectives

Company objectives influence pricing decisions, as prices must reflect the goals a business wants to achieve, such as profit maximization, market share growth, survival, or brand positioning. For example, Tesla maintains high prices for its electric vehicles to reinforce its premium brand image, whereas a new budget smartphone brand like Realme sets lower prices to quickly capture market share.

3.8.5 Government Regulations

Government regulations can also affect pricing decisions. Taxes, price controls, subsidies, or legal restrictions may influence the final selling price. For instance, in India, the prices of essential commodities like sugar and wheat are influenced by government policies and regulations to ensure affordability for consumers, while excise duties and GST affect pricing of electronic goods and automobiles.

3.8.6 Product Life Cycle Stage

Finally, the product life cycle stage—introduction, growth, maturity, or decline—affects pricing strategy. During the introduction stage, prices may be set high to recover R&D costs (skimming) or low to penetrate the market (penetration). During growth, prices may stabilize, while in the maturity stage, competitive pressures may lead to price reductions. In the decline stage, prices often fall to clear inventory or maintain sales. For example, older models of smartphones or laptops are frequently discounted as newer models are launched.

Check Your Progress

Choose the Correct Answer:

- 1. What is the primary purpose of pricing in marketing?**
 - a) To create advertisements
 - b) To generate revenue and reflect product value
 - c) To manufacture products

d) To design product packaging

Answer: b) To generate revenue and reflect product value

2. Which of the following is NOT an objective of pricing?

a) Profit maximization

b) Market penetration

c) Customer satisfaction

d) Product packaging

Answer: d) Product packaging

3. Pricing that is based on the perceived value of the product to the customer is called:

a) Cost-based pricing

b) Value-based pricing

c) Competition-based pricing

d) Dynamic pricing

Answer: b) Value-based pricing

4. Which pricing policy involves setting a high initial price to recover development costs quickly?

a) Penetration policy

b) Skimming policy

c) Discount policy

d) Psychological pricing

Answer: b) Skimming policy

5. A company sells multiple products together at a lower combined price. This is an example of:

a) Premium pricing

- b) Economy pricing
- c) Bundle pricing
- d) Promotional pricing

Answer: c) Bundle pricing

6. Which factor affects pricing decisions by determining the minimum price a company can charge?

- a) Consumer demand
- b) Cost of production
- c) Competition
- d) Brand image

Answer: b) Cost of production

7. Dynamic pricing is most commonly used in:

- a) Manufacturing of raw materials
- b) E-commerce and ride-hailing services
- c) Traditional brick-and-mortar stores only
- d) Government-controlled markets

Answer: b) E-commerce and ride-hailing services

8. Which pricing strategy is used by luxury brands to reflect quality and exclusivity?

- a) Economy pricing
- b) Premium pricing
- c) Penetration pricing
- d) Skimming pricing

Answer: b) Premium pricing

9. The step in the pricing process where a company analyzes competitors' prices is called:

- a) Estimating demand
- b) Monitoring and adjusting
- c) Analyzing competitors
- d) Setting objectives

Answer: c) Analyzing competitors

10. During the decline stage of a product's life cycle, pricing generally:

- a) Increases to maximize profit
- b) Remains unchanged
- c) Decreases to clear inventory or maintain sales
- d) Becomes irrelevant

Answer: c) Decreases to clear inventory or maintain sales

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define pricing.	CO1	Remember	PO1
2	Mention any two objectives of pricing.	CO1	Remember	PO1
3	Name any two basic principles of pricing.	CO2	Remember	PO2
4	Give one example of cost-based pricing and value-based pricing each.	CO2	Understand	PO2
5	List any three factors affecting pricing decisions.	CO3	Remember/Understand	PO2

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the meaning of pricing with an example.	CO1	Understand	PO1
2	State any two objectives and two significance points of pricing.	CO1	Understand	PO1
3	Explain any two basic principles of pricing with examples.	CO2	Understand/Apply	PO2
4	Describe any two pricing methods with examples.	CO2	Understand/Apply	PO2
5	List three factors affecting pricing decisions and explain any one with an example.	CO3	Understand/Analyze	PO2

UNIT – IV

PHYSICAL DISTRIBUTION

Physical distribution is an essential component of marketing that deals with the movement and storage of goods from the producer to the final consumer. It ensures that the right product reaches the right customer at the right time and place. Efficient physical distribution helps reduce costs, improve customer satisfaction, and enhance the overall efficiency of the marketing system.

For example, companies like Amazon use advanced logistics systems and warehouses to deliver products quickly to customers across different locations.

4.1 Meaning of Physical Distribution

Physical distribution refers to the process of planning, implementing, and controlling the efficient movement and storage of goods from the place of production to the place of consumption.

It includes activities such as transportation, warehousing, inventory management, order processing, and material handling. The main objective of physical distribution is to ensure that products are available to customers at the right place, at the right time, and in the right quantity.

4.2 Importance of Physical Distribution

Physical distribution plays a vital role in the success of a business. Its importance can be explained as follows:

4.2.1 Customer Satisfaction

Efficient distribution ensures that customers receive products on time, which increases customer satisfaction and loyalty.

4.2.2 Increased Sales

When products are easily available in the market, customers can purchase them conveniently, which increases sales.

4.2.3 Competitive Advantage

Companies with strong distribution networks can deliver products faster than competitors, gaining an advantage in the market.

4.2.4 Cost Reduction

Proper management of transportation and storage helps reduce operational costs.

4.2.5 Market Expansion

Effective distribution systems help businesses reach new markets and customers in different regions.

For example, companies like Flipkart expanded their customer base by building a strong delivery network across India.

4.3 Features of Physical Distribution

Physical distribution has several important features that ensure products move efficiently from producers to consumers. These features focus on the effective movement, storage, and availability of goods while minimizing costs and improving customer satisfaction.

4.3.1 Movement of Goods

One of the main features of physical distribution is the physical movement of goods from producers to consumers. This involves transporting products from manufacturing units to warehouses, wholesalers, retailers, and finally to customers. Transportation plays a critical role in ensuring that goods reach the market at the right time and in good condition. Efficient movement of goods helps businesses maintain supply continuity and avoid shortages in the market. For example, companies like Amazon use a vast network of delivery vehicles,

warehouses, and logistics centers to move products quickly from sellers to customers across different regions.

4.3.2 Customer-Oriented

Physical distribution is customer-oriented, meaning its primary objective is to satisfy customer needs by ensuring that products are available when and where customers want them. Customers expect quick delivery, reliable service, and easy access to products. Therefore, businesses design their distribution systems to meet these expectations and enhance customer satisfaction. A customer-oriented distribution system also helps build trust and loyalty toward a brand. For instance, e-commerce platforms like Flipkart focus on fast delivery services, easy return policies, and efficient order tracking to ensure a positive customer experience.

4.3.3 Integrated System

Physical distribution operates as an integrated system, meaning it combines several related activities such as transportation, warehousing, inventory management, order processing, and material handling. These activities work together to ensure the smooth flow of goods from the producer to the consumer. Proper coordination among these functions helps reduce delays, minimize errors, and improve overall efficiency in the supply chain. For example, multinational companies like Coca-Cola manage a highly integrated distribution system where production plants, warehouses, transport networks, and retail outlets work together to ensure that beverages are available in stores and restaurants worldwide.

4.3.4 Cost Efficiency

Another important feature of physical distribution is cost efficiency. Businesses aim to distribute products in the most economical way possible while maintaining quality service. Efficient distribution planning reduces costs related to transportation, storage, and handling. Lower distribution costs help companies maintain competitive prices and improve

profitability. For example, retail chains like D-Mart focus on efficient logistics and inventory management to reduce operational expenses, which allows them to offer products at lower prices compared to competitors.

4.3.5 Continuous Process

Physical distribution is a continuous process that operates throughout the product life cycle. From the moment a product is manufactured until it reaches the final consumer, distribution activities must continue without interruption. This continuous flow ensures that goods are consistently available in the market and prevents supply shortages. Companies must constantly monitor and manage their distribution systems to respond to changes in demand, market conditions, and customer preferences. For example, global technology companies like Samsung maintain continuous distribution networks to supply smartphones, televisions, and other electronic products to retailers and online platforms around the world.

4.4 Types of Channels of Distribution

A distribution channel refers to the path or route through which goods move from the producer to the final consumer. It includes different intermediaries such as wholesalers, retailers, and agents who help in transferring the product from the manufacturer to the customer. The choice of distribution channel depends on factors such as the nature of the product, market size, company resources, and customer preferences. Distribution channels help businesses reach a wider market and ensure that products are available to customers conveniently.

4.4.1 Direct Channel

A direct channel is a distribution system where the producer sells goods directly to the final consumer without involving any intermediaries such as wholesalers or retailers. In this method, the manufacturer maintains complete control over pricing, marketing, and customer relationships. Direct channels are often used for products that require personal selling or

customized services. It also allows companies to interact directly with customers and understand their needs better. For example, farmers selling vegetables directly in local markets or companies selling products through their official websites represent direct distribution channels. Many modern businesses also follow this method through online platforms. For instance, companies like Tesla sell their electric vehicles directly to customers through company-owned showrooms and websites instead of using traditional car dealers.

4.4.2 Indirect Channel

An indirect channel involves one or more intermediaries between the producer and the consumer. These intermediaries may include agents, wholesalers, and retailers who help in distributing products to a larger number of customers. Indirect channels are commonly used when manufacturers want to reach wider markets but lack the resources or infrastructure to sell directly to customers. These intermediaries perform important functions such as storage, transportation, promotion, and risk-bearing. For example, a manufacturer may sell products to a wholesaler, who then sells them to retailers, and finally the retailers sell them to consumers. This process can be represented as **Manufacturer** → **Wholesaler** → **Retailer** → **Consumer**. Large consumer goods companies like Procter & Gamble use indirect distribution channels to ensure their products are available in supermarkets, small retail shops, and convenience stores across different countries.

4.4.3 One-Level Channel

A one-level channel is a type of distribution channel that involves only one intermediary between the producer and the consumer, usually a retailer. In this system, the manufacturer supplies goods directly to retailers, who then sell them to the final customers. This channel is commonly used for consumer goods such as electronics, clothing, and household items. The presence of a single intermediary simplifies the distribution process and reduces costs compared to multi-level channels. For example, a company producing

televisions may sell its products directly to large retail chains that then sell them to consumers. Companies like Samsung often use one-level channels when supplying products directly to large electronics retail stores.

4.4.4 Two-Level Channel

A two-level channel involves two intermediaries between the producer and the consumer: a wholesaler and a retailer. In this system, the manufacturer sells goods in bulk to wholesalers, who then distribute them to retailers. Retailers finally sell the products to consumers. This channel is widely used for fast-moving consumer goods (FMCG) such as food items, toiletries, and packaged products. The involvement of wholesalers helps manufacturers distribute goods to many retailers efficiently, especially in large markets. For example, a biscuit manufacturing company may supply products to wholesalers who distribute them to grocery stores and supermarkets. Many companies like Nestlé use two-level channels to ensure their products reach a large number of retail outlets across different regions.

4.4.5 Three-Level Channel

A three-level channel includes three intermediaries between the producer and the consumer: agents, wholesalers, and retailers. In this system, agents help manufacturers find buyers and negotiate sales, wholesalers purchase products in bulk and distribute them to retailers, and retailers finally sell them to customers. This type of channel is commonly used in large and complex markets where manufacturers need assistance in managing distribution. It is particularly useful for companies entering new markets or dealing with international trade. The distribution path can be represented as $\text{Producer} \rightarrow \text{Agent} \rightarrow \text{Wholesaler} \rightarrow \text{Retailer} \rightarrow \text{Consumer}$. For example, large FMCG companies such as Hindustan Unilever use multi-level distribution channels with agents and distributors to ensure their products reach thousands of retail outlets in both urban and rural markets.

4.5 Functions of Channel Members

Channel members such as wholesalers, retailers, and agents play an important role in the distribution process. They act as intermediaries between producers and consumers and help ensure that goods reach customers efficiently. These channel members perform several functions including transportation, storage, financing, risk bearing, promotion, and providing market information. Their activities reduce the burden on manufacturers and make the distribution process smoother and more effective.

4.5.1 Transportation

One of the primary functions of channel members is transportation, which involves moving goods from the manufacturer to different points in the market. Intermediaries arrange the transportation of products from factories to warehouses, wholesalers, retailers, and finally to consumers. Efficient transportation ensures that goods reach the market quickly and in good condition. This function is particularly important for products that need to be delivered to different geographical areas. For example, wholesalers distribute packaged food products from manufacturers to various retail shops across cities and towns. Large retail chains such as Reliance Retail rely on strong transportation networks to move goods from distribution centers to their numerous stores across India.

4.5.2 Storage (Warehousing)

Another important function performed by channel members is storage or warehousing. Goods produced by manufacturers are not always sold immediately, so they need to be stored until they are required by retailers or consumers. Channel members maintain warehouses where products are stored safely and systematically. Proper storage helps maintain a steady supply of goods in the market and prevents shortages. It also protects goods from damage, theft, or spoilage. For example, wholesalers often store large quantities of packaged goods and supply them to retailers whenever needed. E-commerce companies

like Amazon operate large fulfillment centers where products are stored before being delivered to customers.

4.5.3 Financing

Channel members also provide financial support to manufacturers by purchasing goods in bulk and paying for them in advance or within a short period. This helps manufacturers recover their production costs quickly and continue their operations smoothly. Wholesalers often invest their own funds to buy large quantities of products and then sell them to retailers in smaller quantities. In some cases, retailers may also purchase goods on credit from wholesalers and pay later after selling the products. For example, many FMCG wholesalers purchase products from companies such as Hindustan Unilever in bulk and distribute them to local retailers, providing financial liquidity to the manufacturer.

4.5.4 Risk Bearing

Channel members also perform the function of risk bearing, which means they take responsibility for certain risks associated with the distribution of goods. These risks may include damage during transportation, theft, spoilage, price fluctuations, or unsold inventory. By taking on these risks, intermediaries reduce the burden on manufacturers. For instance, wholesalers who purchase goods in bulk must bear the risk if the products do not sell quickly or if market demand decreases. Retailers also face risks when they stock products that may not be purchased by customers. This risk-sharing helps ensure that manufacturers can focus more on production and innovation.

4.5.5 Promotion

Channel members play an important role in promoting products in the market. Retailers and wholesalers often display products in attractive ways, provide demonstrations, offer discounts, and communicate product benefits to customers. Their promotional efforts help create awareness and encourage customers to purchase products. Retail stores often

place popular products in visible locations to attract attention and increase sales. For example, supermarkets and retail chains such as D-Mart promote various brands through in-store displays, discount offers, and special promotional events to attract customers.

4.5.6 Market Information

Another important function of channel members is providing market information. Since wholesalers and retailers interact directly with customers, they gain valuable insights into consumer preferences, buying behavior, and market trends. They can provide feedback to manufacturers about which products are popular, what improvements customers want, and how competitors are performing. This information helps manufacturers make better decisions regarding product development, pricing, and marketing strategies. For example, retailers selling smartphones often provide feedback to companies like Samsung about customer preferences, helping the company improve its products and marketing strategies.

4.6 Factors Influencing Channel Selection

When businesses decide how to deliver products to customers, they choose a distribution channel (direct selling, retailers, wholesalers, online stores, etc.). Several factors influence this decision.

4.6.1 Nature of Product

Products that spoil quickly (perishable goods) like milk, fruits, and vegetables need short distribution channels so they reach customers quickly.

4.6.2 Market Size

If the market is large or spread across many areas, businesses use more intermediaries (wholesalers, retailers) to reach more customers.

4.6.3 Cost of Distribution

Companies choose channels that reduce transportation, storage, and handling costs to maximize profit.

4.6.4 Nature of Customers

Customer preferences also matter.

For example, if customers prefer online shopping, companies may use e-commerce platforms.

4.6.5 Company Resources

Companies with strong financial and logistical resources may sell products directly to customers, while smaller companies may depend on intermediaries.

4.6.6 Competition

Businesses often use similar distribution channels as their competitors to stay competitive in the market.

Example

Companies like Samsung sell smartphones through both online platforms and retail stores to reach a larger number of customers.

Check Your Progress

Choose the Correct Answer:

1. Physical distribution deals with:

- a) Advertising
- b) Movement of goods from producer to consumer
- c) Pricing decisions
- d) Product design

Answer: b) Movement of goods from producer to consumer

2. Which activity is part of physical distribution?

- a) Transportation
- b) Product branding

- c) Advertising
- d) Packaging design

Answer: a) Transportation

3. In a direct channel, products are sold:

- a) Through wholesalers
- b) Through retailers
- c) Directly from producer to consumer
- d) Through agents

Answer: c) Directly from producer to consumer

4. Which channel includes Producer → Wholesaler → Retailer → Consumer?

- a) Direct channel
- b) One-level channel
- c) Two-level channel
- d) Three-level channel

Answer: c) Two-level channel

5. Storage of goods in physical distribution is called:

- a) Branding
- b) Warehousing
- c) Promotion
- d) Packaging

Answer: b) Warehousing

6. Which factor affects channel selection?

- a) Nature of product
- b) Market size

- c) Company resources
- d) All of the above

Answer: d) All of the above

7. Retailers mainly sell goods to:

- a) Manufacturers
- b) Wholesalers
- c) Consumers
- d) Agents

Answer: c) Consumers

8. Which company is known for strong logistics in e-commerce?

- a) Amazon
- b) Small retailer
- c) Local shop
- d) Individual seller

Answer: a) Amazon

9. Which function involves moving goods from one place to another?

- a) Financing
- b) Transportation
- c) Promotion
- d) Risk bearing

Answer: b) Transportation

10. Channel members help businesses by:

- a) Promoting products
- b) Storing goods

c) Providing market information

d) All of the above

Answer: d) All of the above

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define physical distribution.	CO1	Remember	PO1
2	State any two importance of physical distribution.	CO1	Remember	PO1
3	Name any two types of distribution channels.	CO2	Remember	PO2
4	Give one example of direct and indirect distribution channels.	CO2	Understand	PO2
5	List any three factors influencing channel selection.	CO3	Remember/Understand	PO2

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the meaning of physical distribution with an example.	CO1	Understand	PO1
2	State any two importance and two features of physical distribution.	CO1	Understand	PO1
3	Explain any two types of distribution channels with examples.	CO2	Understand/Apply	PO2
4	Describe the functions of channel members in distribution.	CO2	Understand/Apply	PO2
5	List three factors influencing channel selection and explain any one with an example.	CO3	Understand/Analyze	PO2

UNIT – V

PROMOTION AND PROMOTION MIX

Promotion is an important element of marketing that focuses on communicating information about a product or service to customers. It helps create awareness, persuade customers to buy products, and build a strong brand image in the market. Through promotion, companies inform customers about the features, benefits, and availability of their products.

Promotion includes various communication tools such as advertising, personal selling, sales promotion, and public relations. These tools help businesses reach their target audience effectively.

For example, companies like Nike promote their products through television advertisements, social media campaigns, celebrity endorsements, and online promotions to attract customers worldwide.

3.1 Meaning of Promotion

Promotion refers to the activities undertaken by a company to communicate with customers and encourage them to purchase its products or services. It involves informing, persuading, and reminding customers about a product in order to increase demand and sales.

Promotion plays a key role in building brand awareness and influencing customer buying decisions. It helps businesses differentiate their products from competitors.

For example, companies like Apple promote their new products through product launch events, advertisements, and digital marketing campaigns.

3.2 Promotion Mix

Promotion mix refers to the combination of different promotional tools used by a company to communicate with its target customers. Businesses use a mix of several promotional methods to effectively promote their products.

The major elements of promotion mix include:

1. Advertising
2. Personal Selling
3. Sales Promotion
4. Public Relations
5. Direct Marketing

Each element of the promotion mix plays a unique role in attracting customers and increasing sales.

For example, Coca-Cola uses advertising, sales promotion, and social media marketing together to promote its beverages globally.

3.3 Elements of Promotion Mix

3.3.1 Advertising

Advertising is a paid form of non-personal communication used by companies to promote their products through various media such as television, newspapers, radio, magazines, and the internet.

It helps businesses reach a large number of customers at the same time and create awareness about their products.

Example: Samsung advertises its smartphones through TV commercials, online ads, and billboards.

3.3.2 Personal Selling

Personal selling involves direct interaction between the salesperson and the customer. In this method, the salesperson explains product features, answers customer questions, and persuades them to make a purchase.

This method is commonly used for expensive or complex products.

Example: Sales representatives selling insurance policies or cars.

Companies like Toyota use personal selling in showrooms to explain vehicle features to customers.

3.3.3 Sales Promotion

Sales promotion refers to short-term incentives offered to customers to encourage them to buy products quickly. These incentives may include discounts, coupons, free samples, contests, and special offers.

Sales promotion helps increase sales in a short period and attract new customers.

Example: Supermarkets offering “Buy One Get One Free” deals.

Retail chains like Reliance Retail often provide discounts and promotional offers during festivals.

3.3.4 Public Relations

Public relations (PR) involves building and maintaining a positive image of a company among the public. It includes press releases, public events, sponsorships, and community activities.

Good public relations help build trust and goodwill among customers.

Example: Companies organizing charity events or environmental campaigns.

For instance, Tata Group engages in various social welfare activities that strengthen its brand image.

3.3.5 Direct Marketing

Direct marketing involves communicating directly with customers without intermediaries. This includes email marketing, telemarketing, SMS marketing, and online marketing.

It helps companies reach specific target customers and get quick responses.

Example: Online promotional emails sent by Amazon about special deals and offers.

3.4 Objectives of Promotion

Promotion activities are carried out with several objectives. The main objectives include:

3.4.1 Creating Awareness

Promotion helps inform customers about new products or services available in the market.

3.4.2 Increasing Sales

Effective promotional activities encourage customers to buy products, which increases sales.

3.4.3 Building Brand Image

Promotion helps create a strong brand identity and reputation in the market.

3.4.4 Educating Customers

Promotion provides information about product features, benefits, and usage.

3.4.5 Facing Competition

Promotional activities help companies compete effectively with rival brands.

For example, companies like PepsiCo use promotional campaigns to compete with other beverage brands.

3.5 Importance of Promotion

Promotion plays a significant role in marketing success. Its importance can be explained as follows:

3.5.1 Creates Product Awareness

Promotion informs customers about new products and services available in the market.

3.5.2 Increases Demand

Effective promotion encourages customers to purchase products, increasing demand.

3.5.3 Helps Market Expansion

Promotion helps companies enter new markets and attract new customers.

3.5.4 Supports Sales Efforts

Promotion supports the efforts of salespeople by creating interest in products.

3.5.5 Builds Customer Loyalty

Consistent promotion helps build long-term relationships with customers.

Example: Brands like Adidas maintain strong customer loyalty through continuous advertising and promotional campaigns.

3.6 Factors Determining Promotion Mix

Companies consider several factors when deciding the right combination of promotional tools.

3.6.1 Nature of Product

Different products require different promotional strategies. For example, industrial products often use personal selling.

3.6.2 Target Market

The characteristics of the target customers influence the choice of promotional tools.

3.6.3 Budget

The amount of money available for promotion affects the promotion mix.

3.6.4 Nature of Competition

Companies design promotional strategies based on competitor activities.

3.6.5 Stage of Product Life Cycle

Different promotional methods are used at different stages of the product life cycle.

Example: Technology companies like Microsoft use heavy promotion when launching new products.

3.7 Digital Marketing

Digital marketing refers to promoting products and services through digital platforms such as websites, social media, search engines, and mobile applications.

It allows businesses to reach a large number of customers quickly and at a lower cost.

Companies widely use platforms like Instagram, Facebook, and YouTube for digital marketing campaigns.

3.8 Applications and Benefits of Digital Marketing

Applications

Digital marketing is used in various ways such as:

- ✓ Social media marketing
- ✓ Email marketing
- ✓ Search engine marketing
- ✓ Online advertising
- ✓ Content marketing

Many businesses promote their products online through platforms like Flipkart.

Benefits of Digital Marketing

3.8.1 Global Reach

Businesses can reach customers worldwide through online platforms.

3.8.2 Cost Effectiveness

Digital marketing is often cheaper than traditional advertising.

3.8.3 Targeted Marketing

Companies can target specific groups of customers based on age, location, and interests.

3.8.4 Measurable Results

Businesses can track the performance of marketing campaigns using analytics tools.

3.8.5 Improved Customer Engagement

Social media platforms help businesses interact directly with customers.

Check Your Progress

Choose the Correct Answer:

1. Promotion mainly deals with:

- a) Production of goods
- b) Communicating product information to customers
- c) Pricing decisions
- d) Product packaging

Answer: b) Communicating product information to customers

2. Which of the following is an element of the promotion mix?

- a) Advertising
- b) Personal selling
- c) Sales promotion
- d) All of the above

Answer: d) All of the above

3. Short-term incentives offered to increase sales are called:

- a) Advertising
- b) Sales promotion
- c) Public relations
- d) Personal selling

Answer: b) Sales promotion

4. Direct communication between a salesperson and a customer is known as:

- a) Advertising
- b) Public relations
- c) Personal selling
- d) Sales promotion

Answer: c) Personal selling

5. Promotion helps businesses to:

- a) Create awareness
- b) Increase sales
- c) Build brand image
- d) All of the above

Answer: d) All of the above

6. Promotion through the internet and social media is called:

- a) Traditional marketing
- b) Digital marketing
- c) Retail marketing
- d) Industrial marketing

Answer: b) Digital marketing

7. Which platform is commonly used for digital marketing?

- a) Instagram
- b) Facebook
- c) YouTube
- d) All of the above

Answer: d) All of the above

8. Which factor influences the promotion mix?

- a) Nature of product
- b) Budget
- c) Target market
- d) All of the above

Answer: d) All of the above

9. Building a positive company image is the role of:

- a) Sales promotion
- b) Public relations
- c) Advertising
- d) Pricing

Answer: b) Public relations

10. Email marketing is an example of:

- a) Personal selling
- b) Digital marketing
- c) Sales promotion
- d) Retail marketing

Answer: b) Digital marketing

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define promotion.	CO1	Remember	PO1
2	State any two objectives of promotion.	CO1	Remember	PO1
3	List any two elements of promotion mix.	CO2	Remember	PO2
4	Give one example of sales promotion.	CO2	Understand	PO2
5	List any three benefits of digital marketing.	CO3	Remember/Understand	PO2

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the meaning of promotion with an example.	CO1	Understand	PO1
2	Describe the promotion mix and its elements.	CO1	Understand	PO1
3	Explain sales promotion tools with examples.	CO2	Understand/Apply	PO2
4	Discuss the importance of promotion in marketing.	CO2	Understand/Apply	PO2
5	Explain digital marketing and its benefits.	CO3	Understand/Analyze	PO2

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