DJN2C - ECONOMICS OF MARKETING

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Reference Books:

1. Marketing - Rajan Nair
2. Principles of Marketing – Rajan Nair and Ranjit Nair

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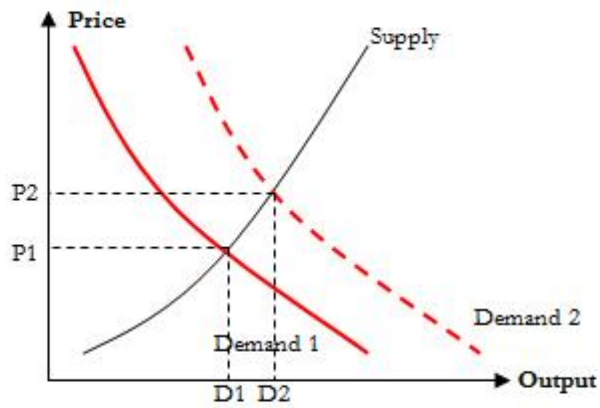
UNIT - I

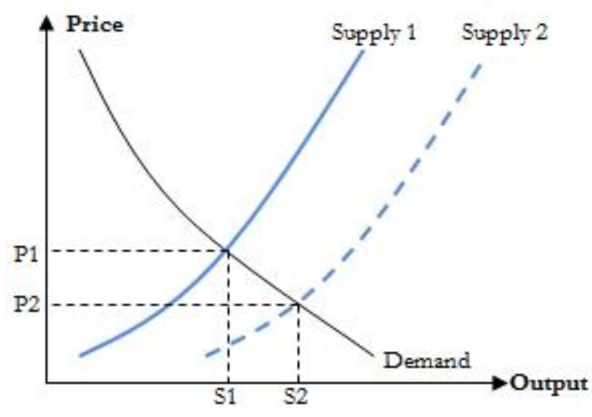
MARKETING

1.1 Meaning of Market

A **market** is a location where buyers and sellers meet to exchange goods and services at prices determined by the forces of supply and demand.

A market may be a physical location or a virtual one over a network (for example, the internet). Here, people who have a specific good or services (the supply) they want to sell interact with people who wish to buy it (the demand). Prices in a market are determined by changes in supply and demand. If market demand is steady, an increase in market supply results in a decline in market prices and vice versa. If market supply is steady, a rise in demand results in a rise in market prices and vice versa. These relationships are demonstrated in the following graphs:





Producers advertise goods and services to consumers in a market in order to generate demand. Also, the term "market" is closely associated with financial assets and securities prices (for example, the stock market or the bond market).

1.2 Definition and Classification of Markets

Market, Marketing and Marketing Management:

To understand the perfect meaning and status of marketing management in present world, there is need to understand the meaning and implications of the terms 'market' and 'marketing'. Hence, these three closely related terms are explained below.

Definition – What is Market?

The term 'market' originated from Latin word 'marcatus' having a verb 'mercari' implying 'merchandise' 'ware traffic' or 'a place where business is conducted'. For a layman, the word 'market' stands for a place where goods and persons are physically present. For him, 'market' is 'market' who speaks of 'fish market', 'mutton market', 'meat market', 'vegetable market', 'fruit market', 'grain market'. For him, it is a congregation of buyers and sellers to transact a deal. However, for us as the students of marketing, it means much more. In a broader sense, it is the whole of any region in which buyers and sellers are brought into contact with one another and by means of which the prices of the goods tend to be equalized easily and quickly.

Classification of Markets—Traditional:

Markets can be classified on different bases of which most common bases are: area, time, transactions, regulation, and volume of business, nature of goods, and nature of competition, demand and supply conditions. This classification is off-shoot of traditional approach.
Traditionally, a market was a physical place where buyers and sellers gathered to buy and sell the goods. Economists describe a market as a collection buyers and sellers who transact over a particular product or product class.

A. On the Basis of Area:

Using area, there can be local, regional, national and international markets. Local markets confine to locality mostly dealing in perishable and semi-perishable goods like fish, flowers, vegetables, eggs, milk, and others. Regional market covers a wider area may be a district, a state or inter-state dealing in durables both consumer and non durables and industrial products, including agricultural produce. In case of national markets the area covered are national boundaries dealing in durable and non-durable consumer goods, industrial goods, metals, forest products, agricultural produce. In case of world or international market, the movement of goods is widespread throughout the world, making it as a single market. It should be noted that due to the latest technologies in transport, storage and packaging, even the most perishable goods are sold all over the world, not that only durables.

B. On the basis of Time:

The time duration is the factor. Accordingly, there can be short period and long period markets. Short-period markets are for highly perishable goods of all kinds and long-period markets are for durable goods of different varieties may be produced or manufactured.

C. On the basis of Transactions:

Taking the nature of transactions, these can be ‘spot’ and ‘future’ markets. In ‘spot’ market, once the transaction takes place, the delivery takes place, while in case of future markets, transactions are finalized pending delivery and payment for future dates.

D. On the basis of Regulation:

Taking regulation, markets can be regulated and non-regulated. A ‘regulated market’ is one in which business dealings take place as per set rules and regulations regarding, quality, price, source changes and so on. These can be in agricultural products or produce and securities. On the other hand, unregulated market is a free market where there are no rules and regulations; even if they are there, they are amended as per the requirements of parties of exchange.

E. On the Basis of Volume of Business:

Taking volume of business as a basis, there can be two types of markets namely, “Wholesale” and “Retail”. Wholesale markets are featured by large volume business and wholesalers. On the other hand, ‘Retail’ markets are those where quantity bought and sold is on small-scale. The dealers are retailers who buy from wholesalers and sell back to consumers.

F. On the basis of Nature of Goods:

Taking the nature of goods, there can be commodity markets, capital markets. ‘Commodity’ markets deal in favour of material, produce, manufactured goods may be consumer and industrial and bullion market dealing precious metals.

‘Capital’ market is a market for finance. These markets can be subdivided into ‘money’ market dealing in lending, and borrowing of money; ‘Securities’ market or ‘stock’ market dealing in buying and selling of shares and debentures and ‘foreign exchange’ market where it is a forex market dealing buying and selling of foreign currencies may be hard or soft.

G. On the basis of Nature of Competition:

Based on competition or competitive forces, there can be variety of markets for a product or service. However, only two are the most important namely, perfect and imperfect.

A ‘perfect’ market is one which is characterized by:

(a) Large number of buyers and sellers

(b) Prevalence of single lowest price for products those are ‘homogeneous’

(c) The perfect knowledge on the part of buyers and sellers

(d) Free entry and exit of firms in market. These types for markets exist hardly.
The other one is 'imperfect' which is featured by:
(a) Products may be similar but not identical
(b) Different prices for a class of goods
(c) Existence of physical and psychological barriers on movement of goods
(d) No perfect knowledge of products and other dimensions on the part of buyers and sellers.

H. On the basis of Demand and Supply:

Based on demand and supply conditions or hold of buyers and sellers, there can be seller's and buyer's markets. A seller's market is one where sellers are in driver's seat and the buyers are at the receiving end. In other words, it is a situation where demand for goods exceeds supply. On the other hand, buyer's market is one where buyers are in commanding position. That is, supply is exceeding the demand for the goods.

Classification of Markets—Modern:

The modern classification is based on the consumer orientation because in modern economic system consumer is the king-pin and a decisive driving force. Accordingly, the marketing experts have identified markets based on such broad-based classification namely, consumer, business, global and, non-profit and government markets.

Consumer Markets:

These markets specialize in selling mass consumer durable and nondurable products and services devote good deal of time in an attempt to establish a superior brand image. These items may be shoes, apparels, clothing, household items like television, sound system, washing machines, fans, on one hand and tea, coffee, tea powder, coffee powder, biscuits, bread spreads, dental cream, personal care beauty-aids, rice, wheat, oat, gourmet mixes and so on the other.
Much of the brand's strength rests on developing a superior product and packaging, ensuring its availability and backing with engaging communications and reliable service. This task of image building is really ticklish as consumer market goes on changing its colour over the period of time.

Business Markets:

This is a market of business buyers and sellers. Business buyers buy goods with a view to make or resell a product to others at a profit. Therefore, business marketers are to effectively demonstrate as to how their products will help the buyers in getting higher revenue or lower costs. Therefore, companies selling business goods and services often face well-trained and well informed professional buyers who are skills in evaluating competitive offerings.

These markets deal in raw-materials, fabricated-parts, appliances, equipments, supplies and services that become the part of end products of the business consumers. Advertising plays its due role. However, personal selling has the upper hand. Product price, quality and business suppliers' reputation have significant role.

Global Markets:

Global markets consist of buyers and sellers all over the world. The companies selling goods and services in the global market place play global gain involving decisions and challenges.

To be successful, they must decide as to which country to enter?

How to enter each country?

That is, as an exporter, license partner of a joint venture, contract manufacturer or only manufacturer, how to adapt their product and source features to each country?

How to price their products in different countries?

And how to adapt their communications to differing cultures of various countries?

These decisions are to be made in the face of differing requirements for buying, negotiating, owning, and disposing of property under different culture, language, and legal and political systems; and the foreign currency that is subject to fluctuations having its own implications. It is needless to say that these goods and services both consumer and industrial or business.

Non-profit and Government Markets:

Companies do sell their products and services to non-profit organizations like temples, churches, universities, charitable institutions and to governmental departments at local, state and central level. The companies that market their products and services have to consider the price aspect because these buyers have limited purchasing power.

Again, lower prices badly affect the features and quality of products and services if an attempt is made to design such an offering. Hence, these buyers buy through bidding where lowest bid is favoured as there is no alternative. They also need longer period of credit.

1.3 Objectives of Marketing Management

Some of the major objectives of marketing management are as follows: 1. Creation of Demand 2. Customer Satisfaction 3. Market Share 4. Generation of Profits 5. Creation of Goodwill and Public Image. The basic purpose of marketing management is to achieve the objectives of the business. A business aims at earning reasonable profits by satisfying the needs of customers.

In the light of this statement, we can highlight the objectives of marketing management as follows:

1. Creation of Demand:

The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

2. Customer Satisfaction:

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer- oriented. It begins and ends with the customer.

3. Market Share:

Every business aims at increasing its market share, i.e., the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

4. Generation of Profits:

The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. Creation of Goodwill and Public Image:

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc..

1.4 Importance of Marketing

Importance of marketing can be studied as follows:

(1) Marketing Helps in Transfer, Exchange and Movement of Goods:

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen "Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer."

(2) Marketing Is Helpful In Raising And Maintaining The Standard Of Living Of The Community:

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living". Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society". By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has in fact, revolutionized and modernized the living standard of people in modern times.

(3) Marketing Creates Employment:

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardisation, etc. In each such function different activities are performed by a large number of individuals and bodies.

Thus, marketing gives employment to many people. It is estimated that about 40% of total population is directly or indirectly dependent upon marketing. In the modern era of large scale production and industrialisation, role of marketing has widened.

This enlarged role of marketing has created many employment opportunities for people. Converse, Huegy and Mitchell have rightly pointed out that "In order to have continuous production, there must be continuous marketing, only then employment can be sustained and high level of business activity can be continued".

(4) Marketing as a source of Income and Revenue:

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, "Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realise many dollars in total sales volume. However, someone must actually go into the market place and obtain dollars from society in order to sustain the activities of the company, because without these funds the organisation will perish."

Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

(5) Marketing Acts as a Basis for Making Decisions:

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer. In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialised activity along with production. As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas:

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.
Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing Is Helpful In Development Of An Economy:

Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving. The marketing organisation, more scientifically organised, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

1.5 Marketing and Selling

Marketing plays a major role in creating new channels or clients and maintaining the existing channels, which contributes to more sales. Selling involves making sales so as to increase the company's revenues. Despite their differences, the two functions are dependent on each other. Marketing and selling are both activities aimed at increasing revenue. They are so closely entwined that people often don’t realize the difference between the two. This is particularly true in the case of small businesses, which often equates marketing with selling deliberately due to organizational and resource limitations. However, the fact is that they are two very different business activities.

Marketing is an ancient art and is preset everywhere. Good marketing has become an increasingly vital ingredient for success. It is a comprehensive term, which includes a lot of research in selling, advertising and distributing the goods. Marketing is a series of different steps and processes which help in getting the products to the consumer from the producer.

In the business world, marketing is defined by the four P's:

- Product
- Price
- Place
- Promotion

It is the process of planning and executing the product idea with the goal of customer satisfaction. Marketing is a proactive approach done often before the product or service is produced and sold. It gives importance to the consumer's wants and satisfaction. In the initial stage, marketing decides what the consumers want and then it decides how the commodity can be profitably produced and finally delivered to consumers for satisfying their needs. It takes into consideration both the internal and external factors. The efforts are buyer oriented and emphasize the satisfaction of the buyer's needs effectively. It refers to an integrated approach towards achieving long term objectives. Profit is sought by ensuring customer's satisfaction.

The term ‘sale’ is a process, whereas the term ‘selling’ is an act that transfers the ownership of a product from the manufacturer or the vendor to the consumer. It is a part of marketing, hence it is not considered as a comprehensive term. It is said to be the last leg of marketing activities, where the product is finally presented to customers through retailing. Selling is the ultimate result of marketing. It is the act of closing a sale or when the product has been purchased by the end consumer. It transfers the ownership of the purchased goods to the buyer. It emphasizes on the products. The products are first produced and then efforts are made for their profitable selling. It only takes into consideration internal factors such as production and distribution of goods. The efforts are seller oriented and emphasize their needs. The profits are sought by ensuring higher sales volume.

Comparison between Marketing and Selling:

	Marketing	**Selling**
Concept	It is a strategy based on a mix of activities that are aimed at increasing the sales.	It is the strategy of meeting the needs in an opportunistic, individual method, driven by human interaction.
Focus	It targets the construction of a brand identity, needs of the consumers and how to reach to the consumers. It starts with the buyers and focuses constantly on the buyer’s needs.	It is the final act of buying goods or products by the consumers through a point sale. It starts with the seller and is focused with the seller’s needs.

Efforts	It makes an effort such that the customers actually want to buy the products in their own interest.	The company makes the product first and then figures a way to sell and make profit.
Business	A customer satisfying process.	Actual sales of goods.
Cost	The consumers determine the price; the price determines the cost.	Cost determines the price.
Motive	Customer satisfaction is the primary motive.	Sales are the primary motives.
Orientation	External market orientation.	Internal production orientation.
Perspective	It takes an outside-in perspective.	It takes an inside-out perspective.
Concept	It is a broad, composite and worldwide concept.	It is a narrow concept related to buyer, seller and production.
Strategy	It has a 'pull' strategy.	It has a 'push' strategy.
Beginning	It begins much before production of goods and services.	It comes after production and ends with delivery and collection of payment.
Scope	It has a wider connotation and includes many research activities.	It is a part of marketing.
Concern	It concerns with customer satisfaction.	It concerns with value satisfaction.
Structure	It is an organizational structure.	It is a functional structure.
Job	The main job is to find the right products for the customers.	The main job is to find the customers for the products.
Mindset	The mindset is "Satisfy the customers".	The mindset is "Hook the customers".

1.6 Approaches to study of Marketing

The study of marketing has been approached in more than one way. To some it has meant to sell something at a shop or market place; to some it has meant the study of individual product and its movement in the market; to some it has meant the study of persons-wholesalers, retailers, agents etc., who move the products and to some it has meant the study of behaviour of commodity movement and the way the persons involved to move them. The approach to the study of marketing has passed through several stages before reaching the present stage. There is a process of evolution in the development of these approaches.

To facilitate the study, these different approaches may be broadly classified as follows:

1. Product or Commodity Approach:

Under the commodity approach the focus is placed on the product or it is an approach on the marketing on commodity wise basis. In other words, the study relates to the flow of a certain commodity and its movement from the original producer right up to the ultimate customer. The subject-matter, under this study, is commodity. When one studies the marketing on this basis—commodity approach, one must begin to study and analyses the problems relating to a commodity i.e., sources and conditions of supply, nature and extent of demand, mode of transporting, storage, standardization, packing etc. Again, take an example of a commodity, say rice.

One has to study the sources of rice, location, people involved in buying and selling, means of transport, problems of selling the product, financing, storage, packing etc. Thus, we get a full picture of the marketing from the original producer to the ultimate consumer. The method of study is repeated for each item. The system claims that it is simple and gives good result over the marketing of each product; description study is possible. But at the same time this approach is time-consuming and repetitive process which is a drawback.

2. Institutional Approach:

In the institutional approach, the focus is on the study of institutions- middlemen, wholesalers, retailers, importers, exporters, agencies, warehousing etc., engaged in the marketing during the movement of goods. The approach is also known as middlemen approach. Here, emphasis is given to understand and analyses the functions of institutions, who are discharging their marketing functions. The activities of each institution form a part of marketing and collectively complete the marketing functions. In the process of moving the goods from the producer to the final consumers, a large number of persons are engaged. This system pays attention to the problems and functions of marketing institutions-transporting, banks and other financial institutions, warehousing, advertising, insurance etc. This method does not give adequate knowledge of the entire marketing functions and also' fails to explain the interrelations of different institutions.

3. Functional Approach:

The functional approach gives importance on the various functions of marketing. In other words, one concentrates attention on the specialized services or functions performed by marketers. In this approach, marketing splits into many functions-buying, selling, pricing, standardization, storage, transportation, advertising, packing etc. This may be studied one after another. Here each function is studied in detail in order to understand it and analyses the nature, need and importance of each function. In this approach, marketing is regarded as "business of buying and selling and as including those business activities involved in the flow of goods and services between producers and customers." This system gives too much importance to various marketing functions and fails to explain how such functions are applied to the specific business operations.

4. Management Approach:

This approach is the latest and scientific. It concentrates upon the activities or marketing functions and focuses on the role of decision-making at the level of firm. This approach is mainly concerned with how managers handle specific problems and situations. It aims through evaluation of current market practices to achieve specific marketing objectives. Generally there are two factors-controllable and uncontrollable, which are more concerned with the decision-making. Controllable include price adjustment, advertisement etc. Uncontrollable-economical, sociological, psychological, political etc. are the basic causes for market changes. And these changes cannot be controlled by any firm.

But controllable can be controlled by the firm. The uncontrollable limit the marketing opportunities. As such, managerial approach is concerned with the study of uncontrollable and then taking decisions for controllable within the scope set by uncontrollable. Managerial or decision-making approach emphasizes on the practical aspects of marketing, but ignores the theoretical aspects of marketing. At the same time, this approach, provides an overall information of the entire business.

5. System Approach:

The system approach can be defined as “a set of objects together with the relationships among them and their attributes.” Systems focus on interrelations and interconnections among the functions of marketing. The system examines marketing connections (linkage) inside as well as outside the firm. Inside the firm there is a co-ordination of business activities-engineering, production, marketing, price etc.

On the basis of feedback information proper control is exercised to modify or alter in the producing process, so that the desired output can be produced. Here, the aim is to secure profit through customer-satisfaction. Markets can be understood only through the study of marketing information. For instance, business is composed of many functions, which are composed of sub functions. Each function or sub-function is independent, but interrelated and enables the other to achieve marketing objectives.

6. Societal Approach:

This approach has been originated recently. The marketing process is regarded as a means by which society meets its own consumption needs. This system gives no importance as to how the business meets the consumer’s needs. Therefore, attention is paid to ecological factors (sociological, cultural, legal etc.) and marketing decisions and their impact on the society’s well-being.

7. Legal Approach:

This approach emphasizes only one aspect i.e., transfer of ownership to buyer: It explains the regulatory aspect of marketing. In India, the marketing activities are largely controlled by

Sales of Goods Act, Carrier Act etc. The study is concentrated only on legal aspects, leaving other important aspects. This does not give an idea of marketing.

8. Economic Approach:

This approach deals with only the problems of supply, demand and price. These are important from the economic point of view, but fail to give a clear idea of marketing.

1.7 Modern Marketing

The **meaning** of **modern marketing** strategies is a dynamic **definition**; changing each year as trends develop and alter. Developing a functional **marketing** strategy serves as a common challenge for most **marketers**. Your buyers search for you by using non-branded keywords, specifying what they are looking for.

Marketing vs. **Marketing Concepts**. **Marketing** is the promotion of business products or services to a target audience. It is, in short, an action taken to bring attention to a business' offerings; they can be physical goods for sale or services offered.

1. Elevates Customers' Brand Experiences at Every Touch point

Modern customers of both the B2B and B2C variety are a sophisticated animal. They have high expectations when it comes to brand experience. These elevated expectations impact more than the technical user experience of interactive exchanges like websites and applications. Yes, users expect to be able to switch effortlessly between desktop and mobile when interacting with your site, but every touch point should also speak to the value of your brand, establish trust, and tell a cohesive story.

We do mean *every* touch point. Sales force estimates that an individual will encounter before converting to a qualified lead. That includes websites, social media, emails, presentations, brochures, ads, and everything in between. Your customers expect seamless transitions between every last one of them. In fact, 60 percent of Millennial customers—the ones who will shape the marketing landscape for the next 20 to 40 years—expect a consistent brand experience across all channels.

2. Builds Personalized Connections with Individuals

The sophisticated expectations of the modern customer don't end with a consistent brand experience. That experience must also be tailored to them. Not as a vague demographic group, but as individuals. To achieve that level of personalization, you must develop a deep understanding of your customer. What are their desires, challenges, pain points, hopes, dreams, favorite colors? The deeper you get, the better you can shape their brand experience.

This rounding out of your customer takes effort, but 94 percent of marketers know it's worth it. To the tune of a 19 percent average boost in sales.

3. Integrates Omni channel Strategy and Tactics

There's a reason we don't call ourselves a "digital" marketing agency. Modern Marketing doesn't equate to a digital-only approach. Nearly everything we do incorporates a digital component, but Modern Marketing is channel agnostic. The average person spends 8 hours a day consuming media, a figure that includes online, outdoor, radio, magazines, and newspapers. If your marketing is going to meet customers where they're at, you'll most likely have to execute it across multiple channels. It's a strategy that has increased sales for 78 percent of companies that employ it.

When it comes to our clients, we get to know the ins and outs of each channel, employing those that make sense for their business and customers. And, because results are the only thing that matter in Modern Marketing, we ensure our omnichannel approach seamlessly integrates with a comprehensive marketing strategy. A campaign that begins with a direct mail promotion leads to a landing page. A website lead that originated through social media receives a printed brochure. A pay per click campaign drives to an event page that promotes a trade show. It's all tied together in the name of optimal results.

4. Adapts to the Evolution of The marketing landscape

Modern Marketers are, by nature, agile, adapting to changing technology and capitalizing on the benefits it offers. Still, Modern Marketing is more than the technology that facilitates it. We don't let trends in innovation rule our strategies. We find ways to make technology work *for* our strategies.

Though we take pride in our ability to keep up with the latest iPhone release and the greatest IoT trends (that may fall more in the Postmodern Marketing realm), it's more than that. It's about reaching audiences where they're most comfortable. Not every potential customer is going to fall on the same end of the technology spectrum. So, for instance, while we leverage responsive design to reach the 99.5 percent of individuals who consume content on their mobile phones, we also have to allow for the fact that only 15 percent will make a purchase from that same device. Finding that tech balance among our target audiences is a hugely important feat for the Modern Marketer.

5. Maximizes Efficiencies through Technology and Automation

We don't simply rely on technology to improve the way we reach our audiences. We also turn to advancements in marketing technology and automation to become more efficient marketers. By eliminating repetitive manual tasks, establishing communication workflows, managing social, publishing content, centralizing data reports, tracking lead activities, facilitating events, testing campaigns (and much, much more), these tools maximize the efficiency of your marketing resources and dollar. To the potential tune of a 451 percent increase in qualified leads.
Every company—no matter how large or small—would move mountains to see this kind of improvement. The good news is this technology is widely available, expanding and advancing at

a rapid-fire pace. In the past year alone, marketing tech offerings have nearly doubled. With 1,876 companies vying for a spot in your marketing stack, brands simply need to determine which one is the right fit for their end game. Once they do, the toughest decision will be which marketing initiatives should take priority when reallocating the newly freed budgets and resources.

6. Combines Inbound Education with Outbound Promotion

We're well settled into the information age, which means potential customers are conducting more research than they ever have before making purchasing decisions. Between 2012 and 2013 alone, the number of individuals who turned to online research before making a buying decision jumped 20 percent. It doesn't matter if your customer is a new homeowner comparing mattress reviews or a corporate decision maker searching for the best travel management solution, they won't make a move before conducting a significant amount of research.

Inbound marketing allows brands to aid in this search—while building trust and loyalty—at every step of the customer journey, but it's not simply a benevolent act. Inbound leads cost 61 percent less than outbound leads. Despite its cost-effective benefits, Modern Marketers know that inbound can't replace outbound entirely. For inbound to work, companies need to commit 6-12 months to each campaign. Outbound augments these efforts building brand awareness and, often, driving faster results. As with all things Modern Marketing, the key is finding the balance that works best for your brand, your customers, and of course, your budget.

7. Measures and Analyzes Performance

Marketing is an investment and investments are measured by returns. A fact the big data movement has solidified. Ninety-three percent of CMOs report feeling pressure to prove ROI. Still, no matter how advanced data analytics tools become, certain pockets of marketing will always defy easy measurement. Sure, the rise of the Google Gods and endless analytics tools have made it much easier to track digital marketing, but other initiatives—like brand development—can be tricker to evaluate, especially in the short term. It's not an uncommon plight. Only 21 percent of marketers say they are successful at tracking ROI.

But the Modern Marketer doesn't give up. We work hard to build processes and tools to measure the measurable and understand how the rest relates to those data points in order to effectively analyze performance, identify what is (or is not) working, and change course based on the insights.

8. Leverages Iterative Execution and Optimization

A Modern Marketing strategy never truly crosses the finish line. We're constantly exploring new channels, adopting innovative tools and technology, adapting to market shifts, outpacing the competition, and improving upon creative strategies and solutions that could be just a little more perfect. This constant state of motion has led 78 percent of CMOs to embrace agile marketing, a decision 86.9 percent of practitioners say has increased profits.

Brands that fall in line with an agile approach that includes iterative execution and optimization are able to quickly respond to new threats while taking advantage of fresh opportunities. The agile approach could manifest itself as something as minor as small tweaks to an existing campaign based on data analysis. Or, it may involve replacing a planned campaign to capitalize on a newfound opportunity. No matter how consequential the execution, this iterative cycle allows brands to maximize their marketing performance.

Though there are many elements that make up a Modern Marketer, the carrot we all drive toward is building a brand experience that engages and influences customers in the real world. Keep this in mind, and you'll be steps ahead of the dusty Mad men of yore. Go so far as to adopt the eight points of the Modern Marketing philosophy and the steps will become miles.

1.8 ROLE OF MARKETING ON ECONOMIC DEVELOPMENT

Marketing is central to economic development. Marketing can be defined as a means by which an economy can be integrated. In general, this integration is between buyers and sellers, as well as different regions and sectors of the economy.

Marketing and trade play vital roles in the economic growth and overall development of a nation. The major roles of marketing and trade in the national economy can be thought of in terms of:

- Specialisation in activities of comparative advantage
- Enhanced resource-use efficiency and trade
- Advances in marketing with economic growth.

Specialisation in activities of comparative advantage: Without market facilities, areas must maintain diversified activities to produce their own food, shelter, tools and other needed goods. In the presence of a market, however, an individual can specialise in one activity and sell the surplus in order to purchase other needed goods. The individual is likely to specialise on the basis of a **comparative advantage** in that activity for which he or she has some special resource or ability. A comparative advantage exists when an individual or region can produce a good, relative to the price of other goods, more cheaply than another individual or region. In livestock production, comparative advantage is often the result of agro-ecological conditions particular to a region making it suited to certain specialised activities.

Specialised activities lead to trade. **The gains from trade** will be the value of additional production made possible through specialisation and trade. The exact gains from trade will depend on the market prices of the goods with and without trade. This concept applies equally to individuals, who use their comparative advantage to specialise in one task, selling their products to trade for the other goods they need.

Enhanced resource use efficiency and trade

Through specialisation and trade, a community is better able to utilise its limited resources. Specialisation and the resulting efficiency of resource-use is the basis for economic growth and development. As markets and economies develop, surpluses occur more frequently in profitable activities, creating new wealth, while products are moved greater distances than before. Thus, trade is a necessary ingredient for economic growth. Marketing is simply the means by which trade occurs.

Advances in marketing with economic growth

As economic growth proceeds, several changes in marketing take place. With economic development, the activities and tasks of marketing increase. Activities such as storage and processing, packaging and retail distribution become more important. Greater activity moves away from the site of production and towards marketing. This, in turn, creates employment opportunities and further specialisation (diversification of the community). Since livestock products typically have positive income elasticities of demand, economic growth can lead directly to new opportunities for production. Thus, the livestock subsector increases in importance.

With development, more economic agents may enter trade, helping to improve marketing services and, in some cases, allowing the market to capture **external economies of scale.** This refers to a situation where the presence of many agents allows each one to operate at a lower cost. An example is the case where increased trade in some commodity (e.g. livestock allows for the establishment of large storage facilities (e.g. pre-slaughter holding areas), which lowers per unit storage costs. The physical infrastructure can also be affected in a positive way by large markets, in the form of better roads and communication, offering the potential for external economies of scale.

ROLE OF MARKETING IN ECONOMIC GROWTH

Marketing plays a vital role in economic growth in the present global world. It ensures the planned economic growth in the developing economy where the scarcity of goods, services, ideas and excessive unemployment, thereby marketing efforts are needed for mobilization of economic resources for additional production of ideas, goods and services resulting in greater employment.

- Marketing stimulates the aggregate demand thereby enlarges the size of market
- Marketing in basic industries, agriculture, mining and plantation industries helps in distribution of output without which there is no possibility of mobilization of goods and services which is the key point for economic growth. These industries are the back bone of economic growth.
- It also accelerates the process of monetizing the economy which in turn facilitates the transfer of investible resources.
- It helps in discovery of entrepreneurial talent.
- Intermediate industrial goods and Semi-industrial products etc. essentially marketed for industrial purpose in order to develop the industrial sector with a view to economic growth
- In Export trade and services like tourism and baking marketing plays eminent role in order to growth economy.

Now days economic and social changes are necessary for bring about the development of a nation. Social changes are brought about in a planned manner through social marketing technology. Social marketing can be defined as the design, implementation and control of programmers calculated to influences the acceptability of social ideas and involving consideration of product planning, pricing, communication, distribution and marketing research. With the rapid growing marketing business, technology is playing a more important role in the demands of analyzing and utilizing the large scale information gathered from customers. To predict the consequent business strategy by using technology, it is required to evaluate the customer performance, discover the trends or patterns in customer behavior. For this purpose the in modern world using the technology at a maximum level by e-commerce, Internet marketing and services etc. Even though in several developing countries, Government involves in marketing efforts in order to provide equitable distribution at minimum social costs by setting ceiling and floor prices of foods grains and industrial raw materials, setting maximum whole sale and retail prices of scarce consumer products etc. which ensures the smooth flow of essential goods and even influencing the decisions pertaining to distribution and advertising. Even though the economic recession affects the market at a larger extent, it plays major role in economic growth. The end result will be the maximization of growth of the economy in order to provide higher standard of living for all and the development of a economic levels of the people that fosters entrepreneurial-ism.

Questions

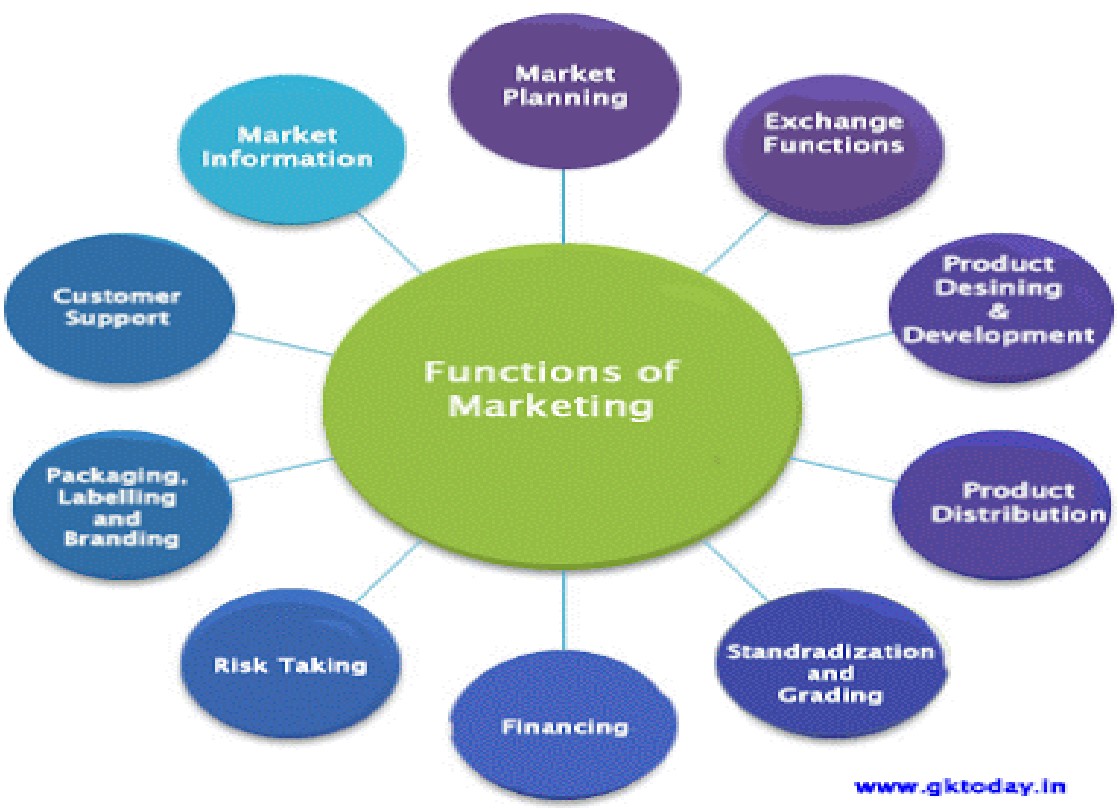
1. Define Meaning of Market
2. Definition and Classification of Markets
3. What are the Objectives of Marketing Management
4. Explain the Marketing and Selling

UNIT- II

MARKETING FUNCTIONS

2.1 marketing of Functions

The ultimate aim of marketing is exchange of goods and services from producers to consumers in a way that maximizes the satisfaction of customer's needs. Marketing functions start from identifying the consumer needs and end with satisfying the consumer needs. The universal functions of marketing involve buying, selling, transporting, storing, standardizing and grading, financing, risk taking and securing marketing information. However, modern marketing has some other functions such as gathering the market info and analyzing that info. Market planning and strategy formation. To assist in product designing and development also comes under the marketing functions. The marketing functions have been discussed here briefly:



Market Information

To identify the needs, wants and demands of the consumers and then analyzing the identified information to arrive at various decisions for the successful marketing of a firm's products and services is one of the most important functions of marketing. The analysis involves judging the internal weaknesses and strengths of the organization as well politico-legal, social and demographic data of the target market. This information is further used in market segmentations.

Market Planning

Market-planning aims at achieving a firm's marketing objectives. These objectives may involve increasing market presence, dominate the market or increase market share. The market planning function covers aspects of production levels, promotions and other action programmes.

Exchange Functions

The buying and selling are the exchange functions of marketing. They ensure that a firm's offerings are available in sufficient quantities to meet customer demands. The exchange functions are supported by advertising, personal selling and sales promotions.

Product Designing and development

The product design helps in making the prodyct attractive to the target market. In today's competitive market environment not only cost matters but also the product design, suitability, shape, style etc. matter a lot in taking production decisions.

Physical Distribution

The physical distribution functions of marketing involve transporting and storing. The transporting function involve moving products from their points of production to locations convenient for purchasers and storing function involve the warehousing products until needed for sale.

Standardization and Grading

Standardization involves producing goods at predetermined specifications. Standardization ensures that product offerings meet established quality and quantity. It helps in achieving uniformity and consistency in the output product. Grading is classification of goods in various groups based upon certain predetermined characteristics. It involves the control standards of size, weight etc. Grading helps in pricing decisions also. The higher quality goods and services attract higher prices.

Financing

The financing functions of marketing involve providing credit for channel members or consumers.

Risk Taking

Risk taking is one of the important marketing functions. Risk taking in marketing refers to uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in future.

Packaging, labeling and branding

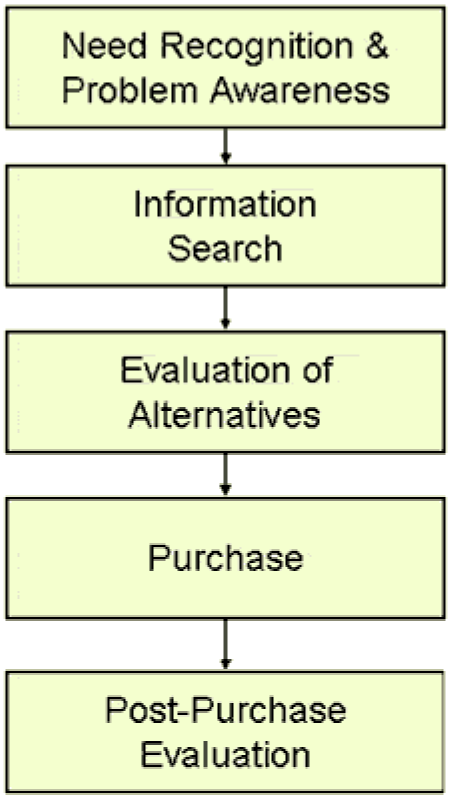
Packaging involves designing package for the products, labeling means putting information required / specified on a product's covering. Packaging and labeling serve as promotional tools now a days, Branding distinguishes the generic commodity name to a brand name. For example, Wheat Flour is a generic name of a commodity while "Ashirvad Aata" is a brand name. In service industry, also branding matters a lot.

Customer Support

Customer support is a very important function of marketing. It involves pre sales counseling, after sales service, handling the customer complaints and adjustments, credit services, maintenance services, technical services and consumer information. For example, water purifier comes with an onsite service warranty of 7 years helps in marketing and is an important marketing function as well.

2.2 Marketing and Buyer

How do customers buy? Research suggests that customers go through a five-stage decision-making process in any purchase. This is summarised in the diagram below:



1. Problem/need recognition

This is often identified as the first and most important step in the customer's decision process. A purchase cannot take place without the recognition of the need. The need may have been triggered by internal stimuli (such as hunger or thirst) or external stimuli (such as advertising or word of mouth).

2. Information search

Having recognised a problem or need, the next step a customer may take is the information search stage, in order to find out what they feel is the best solution. This is the buyer's effort to search internal and external business environments, in order to identify and evaluate information sources related to the central buying decision. Your customer may rely on print, visual, online media or word of mouth for obtaining information.

3. Evaluation of alternatives

As you might expect, individuals will evaluate different products or brands at this stage on the basis of alternative product attributes – those which have the ability to deliver the benefits the customer is seeking. A factor that heavily influences this stage is the customer's attitude. Involvement is another factor that influences the evaluation process. For example, if the customer's attitude is positive and involvement is high, then they will evaluate a number of companies or brands; but if it is low, only one company or brand will be evaluated.

4. Purchase decision

The penultimate stage is where the purchase takes place. Philip Kotler (2009) states that the final purchase decision may be 'disrupted' by two factors: negative feedback from other customers and the level of motivation to accept the feedback. For example, having gone through the previous three stages, a customer chooses to buy a new telescope. However, because his very good friend, a keen astronomer, gives him negative feedback, he will then be bound to change his preference. Furthermore, the decision may be disrupted due to unforeseen situations such as a sudden job loss or relocation.

5. Post-purchase behaviour

In brief, customers will compare products with their previous expectations and will be either satisfied or dissatisfied. Therefore, these stages are critical in retaining customers. This can greatly affect the decision process for similar purchases from the same company in the future, having a knock-on effect at the information search stage and evaluation of alternatives stage. If your customer is satisfied, this will result in brand loyalty, and the Information search and Evaluation of alternative stages will often be fast-tracked or skipped altogether.

On the basis of being either satisfied or dissatisfied, it is common for customers to distribute their positive or negative feedback about the product. This may be through reviews on website, social media networks or word of mouth. Companies should be very careful to create positive post-purchase communication, in order to engage customers and make the process as efficient as possible.

BUYING

We are living in a world that is most unstable and dynamic. World is not only changing but the rate of change is accelerating. We are experiencing change in our daily life and in marketplace too. Consumers needs, wants, expectations are changing more rapidly; consumers are increasingly demanding better quality and reliability in products and services; consumers desire for more personalised services is increasing; consumers are becoming more social, more time efficient, more demanding , and more selective.

The set of procedures used to identify products for purchase, verify quality and compliance of products and vendors, carry out purchasing transactions, and verify that operations associated with purchasing have been executed appropriately. Different organizations have buying processes of varying complexity, depending on the industry in which they work and the nature of the products being purchased.

2.3 Kind of Buyers

The business organisations are required to identify different types of consumers/buyers in their target market and understand the changes in their buying behaviour. It enables business organisations to make desired products or services available in the marker, so that, new customers can be attracted and existing customers can be retained.

Today, in this post we are describing the different types of consumers/buyers that exists within every market for new products and general classification of buyers for existing products.

Types of buyers for new products

1. Innovators
2. Early Adopters
3. Early majority
4. Late Majority
5. Laggards

Innovators

This group of buyers read journals and magazines extensively to keep themselves updated with innovative ideas, latest technologies, and new products. They like to experiment with anything new representing the latest technologies. They may influence other buyers in their same group, but they are the smallest group of early buyers. They represent about 2 percent of any market.

Early Adopters

They are individuals or businesses who use new product or technology after innovators and before others. This group of buyers represents true opinion leaders who set examples by their decisions. They are likely to pay more for new product that improve their life-style, raise their social status, or improve their business efficiency or reduce cost.

Early Majority

This group of people adopt a new product after seeing it used successfully by innovators and adopters. They are more conservative but open to new ideas, active in community, less technology-driven than innovators and early adopters. They represent 34 percent of any market.

Latemajority

This group of people adopt a new product only after seeing that the majority of the population already has. They wait until prices fall and product is universally accepted. People of this group are typically old, less affluent, less educated, fairly conservative, and less socially active than innovators, adopters, and early majority. They also represent 34 percent of any market.

Laggards

The people of this group are excessive traditionalists. They adopt product when the price is at its bottom, competition is intense, or product become an absolute need. They are very conservative, oldest, and least educated. They represent 16 percent of any market.

2.4 Problems of Buying/ Consumer Decision Making Process

Consumer decision making process consists of a series of steps which a consumer undergoes. Consumer decision making process generally involves five steps – Problem recognition, information search, evaluation of alternatives, purchase, and post purchase evaluation.

1. Problem or Need Recognition

Consumer decision making process begins with an unsatisfied need or problem. Everyday we face multiple problems which individuals resolve by consuming products or services. Consumer problem can be routine or unplanned. For example – run out of milk or cooking oil, car indicating low level of fuel, are some of the routine problems that individuals face. Such problems are quickly recognised, defined, and resolved. Recognition of unplanned problem may take much longer time as it may evolve slowly over time. For example - need of a new refrigerator as existing one is not working properly. An individual recognise problem through information processing arising as a result of internal and external stimuli. After problem recognition the action to solve the problem depends on the magnitude of discrepancy between the current state and desired state and the importance of the problem for the concerned consumer. If the problem is highly important for an individual and there is high discrepancy between current state and desired state of the individual, he will start the purchase process.

2. Information Search

Information search is done to know about product or service, price, place and so on. In the process of decision making, the consumer engages in both internal and external information search. Internal information search involves the buyer identifying alternatives from his memory. Internal information search is sufficient for low involvement products or services. For high involvement product or service, buyers are more likely to do external information search. The amount of efforts a buyer put in information search depends on various factors like market, competition, difference in brands, product characteristics, product importance, and so on.

3. Alternatives Evaluation

At this step the buyer identifies and evaluates different alternatives to choose from. It is not possible to examine all the available alternatives. So, buyer develops evaluative criteria to narrow down the choices. Evaluative criteria are certain characteristics that are important to buyer such as price of the product, size, colour, features, durability, etc. Some of these characteristics are more important than others. To narrow down the choices the buyer considers only the most important characteristics.

4. Purchase Decision

The earlier mentioned evaluation step helps the consumer in arriving at a purchase intention. In the decision evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form a purchase intention and lean towards buying the most preferred brand. However factors can intervene between the purchase intention and the purchase decision. A buyer who decides to execute a purchase intention will be making up to five purchase decisions brand decision, vendor decision, quantity decision, timing decision and payment-method decision.

5. Post-purchase Use and Evaluation

Once the buyer makes a decision to purchase a product or service there can be several types of additional behaviour associated with that decision such as decisions on product uses and decision on services related to the product purchased. The level of satisfaction experienced by the buyer after his purchase will depend on the relationship between his expectations about the product and performance of the product. If the buyer is satisfied then he will exhibit a higher probability of repeat purchase of the product or service. The satisfied buyer will also tend to say good wordsabout the product or service. Whereas a highly dissatisfied buyer will not buy the product or service again and spread negative words about service and company.

2.4 problems of Buying

MARKETING & BUYER

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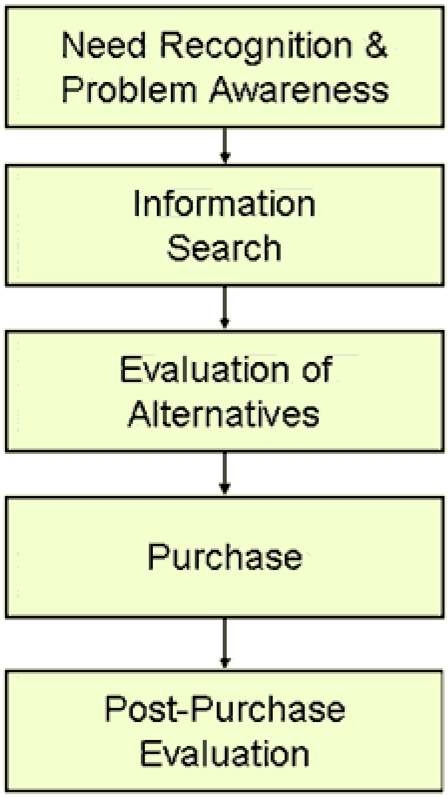

1. **Problem/need recognition**

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2.5 Methods of Purchasing Materials

Some of the methods of purchasing are discussed as follows:

1. Purchasing by Requirement:

This method refers to those goods which are purchased only when needed and in required quantity. The goods which are not regularly required are purchased in this way. On the other hand it refers to the purchase of emergency goods. These goods are not kept in store. Purchasing department must be in knowledge of the suppliers of such goods so that these are purchased without loss of time.

2. Market Purchasing:

Market purchasing refers to buying goods for taking advantages of favourable market situations. Purchases are not made to meet immediate needs but are acquired as per the future requirements. This method will be useful if future needs are estimated accurately and purchases are made whenever favourable market situations arise. The market situation is constantly studied for forecasting price trends.

The advantages of this method are: lower purchase prices, more margin on finished products due to lower material cost and saving in purchase expenses. This method suffers from some limitations: losses in case of wrong judgment, fear of obsolescence, higher storing expenses due to more purchases.

3. Speculative Purchasing:

Speculative purchasing refers to purchases at lower prices with a view to sell them at higher prices in future. The attention in this method is to earn profits out of price rises later on. The purchases are not made as per the production needs of the plant rather these are far in excess of such requirements. A cloth mill may purchase cotton in the market when prices are low with the attention of earning profits out of its sales when prices go up.

Speculative purchasing should not be confused with market purchasing. The former is done to earn profits out of future price rises where as the latter is concerned with purchasing for own needs when favourable market situations exist. Though speculative purchasing may result in profits but there are chances of prices going down in future, fear of obsolescence and incurring higher storage costs.

4. Purchasing for Specific Future Period:

This method is used for the purchase of those goods which are regularly required. These goods are needed in small quantity and chances of price fluctuations are negligible. The needs for specific period are assessed and purchases made accordingly. The requirements for such purchases may be assessed on the basis of past experience, period for which supplies are needed, carrying cost of inventory etc.

5. Contract Purchasing:

In the words of Spriegel it is "the purchasing under contract, usually formal, of needed materials, delivery of which is frequently spread over a period of time." Under this method a specific quantity of materials is contracted to be purchased and delivery is taken in future. Even though the goods are procured in future but the price and other terms and conditions are fixed at the time of contract. This method may be useful when price rises in future may be expected and material requirements for future may be accurately estimated.

6. Scheduled Purchasing:

Under this method the suppliers are supplied a probable time schedule for material requirements so that they are in a position to arrange these in time. An accurate production schedule is prepared for estimating future material needs. The suppliers are informed of probable needs and orders are sent accordingly. The schedule provided by the purchaser to the vendor is not a contract. This is only a gentleman's agreement for terms and conditions of purchases. The main objectives of this method are: minimum inventory, prompt service. low prices, quality goods etc.

7. Group Purchasing of Small Items:

Sometimes a number of small items are required to be purchased. The prices of these items are so small that costs of placing orders may be more than prices. In such situations the buyer places order with a vendor for all these items. The purchase price is agreed to be by adding some percentage of profit in the dealer's cost. This method will be used only when dealer's records are open to inspection for determining his cost. This type of purchasing reduces the cost of the buyer by eliminating much clerical work.

8. Co-operative Purchasing:

Small industrial units may join to pool their requirements and then place bulk orders with dealers. This will help them in availing rebates on large quantity purchases, cash discounts and savings in transportation costs. After receiving the materials these are divided among the member units. Co-operative purchasing helps small units in availing the benefits of bulk purchasing.

2.6 Assembling

What is Assembling of Goods

Assembling refers to the process of keeping the goods, purchased from different places, at a particular place. Assembling of goods is done only after they have been bought. Certain amount of assembling is done by the consumers also.

Example of Assembling of Goods

We may buy the goods needed for household use from various sources and keep stock. A manufacturer may buy different kinds of raw materials from different sources and keep these in his stores. A trader also buys goods from different manufacturers and keeps these in his shop to be sold to consumers.

Advantages of Assembling

1. For a manufacturer it ensures availability of raw materials and avoids shortage of stock.
2. A trader, who buys from different manufacturers, is able to offer choice to his customers.
3. It results in savings in transportation costs and handling charges for a manufacturer as the frequency of buying is reduced.
4. It also guards a manufacturer against scarcity of raw materials that may hamper production.
5. As consumers, we tend to buy and keep stock of certain goods that may not be required immediately. But ‘these may be required in future.
6. The production of certain goods is seasonal but their consumption is perennial. Example: Agricultural goods.

On the other hand, the consumption of certain goods is seasonal but their production is perennial. Example: Crackers. In either case assembling is required.

Problems in assembling of Goods

1. Assembling depends much on the availability of storage facilities. Absence of proper storage may not allow the performance of assembling function.

2. The perishable nature of certain goods (fruits and vegetables) may not provide scope for assembling.

3. Certain goods have a tendency to become outdated quickly. Keeping stock of such goods may only result in loss. Example: Electronic goods.

4. Excessive stock only results in blockage of capital.

5. The quality of certain goods deteriorates with the efflux of time. They may have to be discarded once their expiry date lapses. Example: Medicines.

Advantages and Problems

Advantages and Disadvantages of Marketing

"Marketing" is defined by Wikipedia as "the process by which companies create customer interest in goods or services… through which companies build strong customer relationships and creates value for their customers and for themselves." Start with a marketing plan – identifying the customer and their needs and wants. Since the essence of business is fulfilling a need it is an important to know which need you are trying to fulfil. Then you need to know how best to reach those customers who have that need.

There are many different **marketing mediums** and working out which is best for your business is essential, both to keep costs down and to get the most back from your marketing campaign. There are differing advantages and disadvantages of marketing depending on your chosen medium. But there are also general advantages and disadvantages of marketing across every spectrum.

General Advantages of Marketing

An obvious advantage of marketing is the **promotion of your business;** getting the recognition and attention of your target audience across a wide ranging or specific market. Going hand-in-hand with this is the **enhanced brand recognition**. Over time potential customers and members of the public will begin to associate your logo and your brand with your business. Every business needs to 'spend money to make money'. Investing in marketing is no different. The most important advantage of marketing is therefore quite simply **improving the businesses profits** by boosting sales.

General Disadvantages of Marketing

The first disadvantage of marketing in general is the **cost**. Adverting and marketing costs money. If you don't do the proper research then you might end up throwing money away. Wasting marketing efforts by targeting the wrong audience using an inappropriate medium would be a serious and costly mistake. So it is important to do your research beforehand and keep your costs to a minimum.

As well as the financial cost, marketing your business will require **investment of time**. Researching the appropriate marketing strategy, designing and writing the adverts, getting them published, dealing with any response. It's important to spend time keeping track of how successful or not your marketing campaign is. A potential disadvantage of marketing here is the risk of time wasted for an unsuccessful campaign.

Research shows that people in general have to see a piece of information between 3 and 30 times before it sinks in. So the obvious disadvantage of marketing here is the fact that your marketing campaign will need to be ongoing and consistent. Increasing costs and time spent on it. This is where **drip marketing** comes in.

Specific Advantages and Disadvantages of Marketing

For specific types of media there may be other advantages and disadvantages of marketing. Each will obviously vary depending on your business, your market and your chosen marketing techniques.

Print Advertising

Advantages and disadvantages of print marketing are reasonably obvious.

Advantages:

- Choosing the appropriate magazine or newspaper to advertise and market your business allows you to appeal to a specific audience and demographic. Targeting your adverts at the right audience to maximise its effectiveness.
- Often an advantage of marketing via print media is the flexibility. The size, placement and type of advert can be adopted and changed according to your needs.
- Another advantage marketing this way is the repeated display of your advert over time. Multiple appearances in various issues of the paper or magazine will improve chances of your brand sticking with the customers and also the results you will see in terms of sales leads.

Disadvantages:

- Cost can be prohibitive. The bigger the advert the more the cost. Magazines and newspapers with a wider audience generally cost more to advertise in and marketing over time in this manner may be too expensive for some businesses.
- Competition in the marketing space may be another disadvantage. You want your advert to stand out, but unless you can afford to pay for a full page spread you will be competing with the other businesses scrambling for attention.
- Magazines are often released on a monthly basis, meaning it can take longer for your advert to take hold in a potential customers mind.

Television & Radio Marketing

The advantages and disadvantages of marketing via radio or television will clearly be considerably different to those of print.

Advantages:

- There are many radio and television stations out there. You can appeal to your local audience by using a local radio or television station. You may also run an advert on a specific station with a genre which would suit your business. The variety of radio and television stations makes it easy to **appeal to a specific audience**.
- Your advert may well be repeated throughout the day at specific times, which would allow you to reach the best audience for your marketing.
- Radio and television marketing allows for regular repetition of your advert, helping satisfy the ***law of 29***.

Disadvantages:

- Unless you are targeting a specific audience, you might have to push your advert across a number of radio and television stations to reach everyone you need to.
- An obvious disadvantage of radio and television marketing is the temporary nature of the advert. Unlike print, potential customers cannot go back to look for your contact information. So you will need to run the advert many times to get the best effect.
- Listeners/viewers may stop paying attention during advert breaks, which are essentially a disturbance to their enjoyment of the show.

Direct Mail Marketing

Your chosen market might benefit from a direct marketing campaign. Send your adverts, catalogues or product samples straight through your customer’s letterbox. You could target the right audience by using the electoral register to find the right age, sex and demographic or acquire access to marketing mailing lists.

Advantages:

- Direct mail marketing will allow you to target to your specific customer. Personalising your message to have the best possible impact on them.
- Unlike other forms of advertising, your marketing will not need to stand out on a page full of other adverts. It will just need to stand out from the pile on the doormat. A brightly coloured, appealing envelope may be all it takes.
- This type of marketing allows you target a specific area or locality. Especially important if your business is local.

Disadvantages:

- Direct mail is often seen as “junk” mail. So if your marketing doesn’t stand out and appeal in just the right way it might find its way straight from the letterbox to the bin.
- The law of 29 means you will need to do a direct mailing campaign many times before it has an effect.
- You risk annoying your customers by plaguing them with regular “junk” mail campaigns.

Telemarketing

Cold-calling and other telemarketing campaigns have their place in business. They can be effective if done correctly. Like the other types of marketing, they have their own advantages and disadvantages.

Advantages:

- Personal contact with the customer is more effective than something abstract designed to appeal to a multitude of people. It makes the customer feel more important if you can make them think you are only there to help them with *their* needs.
- Results are easy to measure and often a potential customer can be easily led to a sale over the phone. In other words the call to action will be more effective.

Disadvantages:

- Cold-calling, like junk mail, can have an unwanted effect as it has negative connotations. Unwanted calls are often dealt with harshly and you might risk damaging your reputation.
- Technology is out there which is being used to block unwanted telemarketing calls. There is also legislation that needs to be abided by (**Privacy and Electronic (EC Directive) Regulations 2003**.)
- Costs may be more expensive than other forms of marketing, depending on your plan.

Marketing Your Business

Weighing up the above advantages and disadvantages of marketing throughout the various mediums will allow you to decide on the best course of action for your business. You might find that using several different techniques will help you get the most out of your marketing campaign.

Whatever you choose to do, you will need to carry out some sort of marketing if you hope to succeed in business and make a healthy profit.

For more information and useful tips on marketing, sign-up for free access to **My Company Warehouse** where you can download useful business guides and tools to help you get ahead.

Selling and Marketing Concept

Concepts of Marketing: Selling and Marketing Concept!

1. Selling Concept:

The philosophy here is that the customers if left alone would not buy enough of the company s products and hence companies must undertake a large-scale aggressive selling and promotion effort. This concept is used when companies find themselves with an overabundance of products that they have to sell in order to deplete their inventories.

This concept is practised more profoundly in case of unsought goods (that people seldom want to buy) like insurance products, encyclopedias etc. The seller's aim is to sell what they make rather than make what will sell in the market. The company has to push their products through aggressive personal selling, persuasive advertisement, extensive sales promotions (like heavy use of price discounts), strong publicity and public relations.

But hard selling carries high risks. It assumes that customers who are coaxed into buying a product will like it and if they don't, that they won't bad mouth it or complain to consumer organisations and will simply forget about their disappointment or dissatisfaction and will buy again. But with so many buying options and high degree of cognitive level, the buyers cannot be taken for granted in that way. The danger is that the focus on "making the sale" overshadows the focus on building long-term relationships with customers and the dissatisfied customers may bad-mouth the product to a great extent.

2. Marketing concept:

The role of a mutually satisfying exchange is central to the marketing concept. The marketing concept holds that the key to achieving its organisational goals consist of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target markets in order to satisfy the customers at a profit. Three features of the marketing concept are customer orientation, coordinated effort by all departments within the organisation to provide customer satisfaction and emphasis on long-term profit.

The marketing concept describes an ideal state of affairs. It exists when an organisation focuses all of its efforts on providing products that satisfy its customers. The customer is the focal point for how each area of the organisation is run. Products are created with the goal of satisfying customers' needs and wants.

All departments within the organisation should be organised around the marketing function anticipating, stimulating and meeting customers' requirements and work together toward the goal of customer satisfaction. They closely coordinate their efforts both to satisfy customer wants and achieve the organisation's long-run goals.

When an organisation is attempting to implement the marketing concept, it has a market orientation. An organisation is market oriented when it generates market intelligence on its customer needs, disseminates the intelligence across departments, and then responds organisation-wide to the information. Organisations adopting the marketing concept are committed to market-focused and customer-driven philosophies.

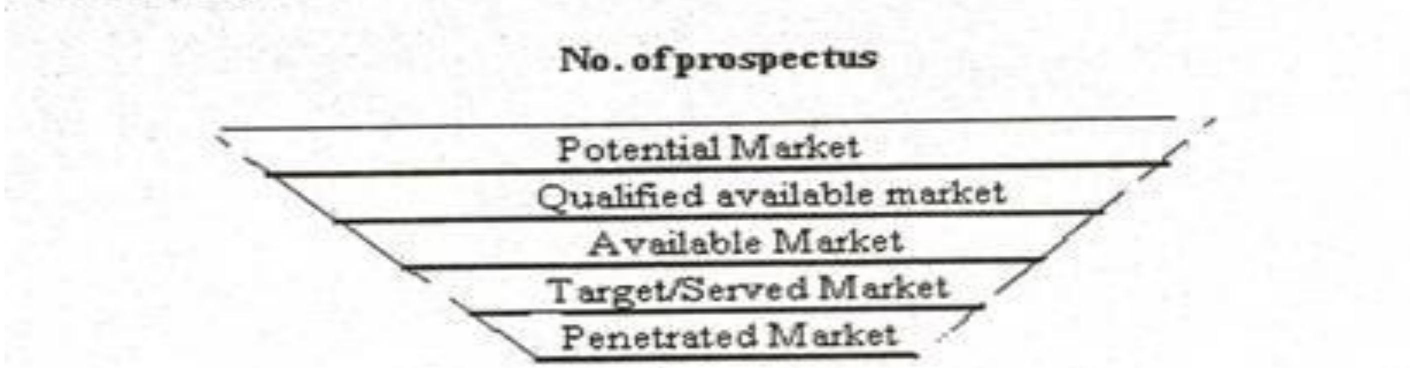
If you want to understand the real different between selling and marketing concept, following is a visual representation of difference between two concepts.

In brief, the functions of marketing can be explained as under:

a) Target market:

A marketer has to define the market to which it will direct its efforts. The specification and identification of market would enable the marketer to design specific marketing strategies. A target market is defined as a set of actual and potential buyers of a product, service or idea. A buyer who has interest in the product, income and willingness to buy can broadly be called as potential buyer. However, it might not be possible for the marketer to target all of them. There might be geographical barriers, unsuitabilities of Product to certain climatic conditions or inability of the marketer to reach certain hilly or remote areas. Thus, a small portion of potential market might become part of the target market. The following figure clarifies the target market and penetrated market.

FIGURE 1.5: CONCEPT OF TARGET MARKET AND PENETRATED MARKET



The penetration of product is difficult even if the potential market is large.

b) Customer needs:

A company can define its target market but fail to correctly understand the customers' needs. Understanding customer needs and wants is not always simple. Some customers have needs of which they are not conscious or they cannot articulate their needs or they use words that require some interpretation.

There are five types of needs. They are stated needs, real needs, unstated needs, delight needs and secret needs. Responding only to the stated need may shortchange the customer.

A responsive marketer finds a stated need and fills it. He is going to loose the customer in the near future. An anticipative marketer looks ahead what needs customers may have in the near future. A creative marketer discovers and produces solutions customers did not ask for but to which they enthusiastically respond. Therefore companies must go beyond just as consumers what they want.

This is necessary because a company's s comes from two groups, new customers and repeat customers. One estimate shows that attracting a new customer can cost five times as much pleasing an existing one and it might cost sixteen times as much to bring the new customer to the same level of profitability as the lost customer. Customer retention is thus more important than customer attraction.

c) Integrated marketing:
When all the company's departments work together for serving the customers, the result is integrated marketing. Integrated marketing takes place on two levels.

Firstly, the various marketing functions like sales force, advertising, customer service, product management, marketing research must work together. Secondly, marketing must be embraced by the other departments. They must also think customer. According to David Packard of Hewlett – Packard, "Marketing is far too important to be left only to the marketing department". To foster teamwork among all departments, the company carries out internal marketing as well as external marketing. Internal marketing is the task of hiring, training and motivating able employees who want to serve customers well. External marketing is marketing directed at people outside the company.

d) Profitability:
The ultimate purpose of the marketing concept is to help organisations achieve their objectives. In the case of private firms, the major objective is profit. In the case of non-profit and public organisations it is surviving and attracting enough funds to perform useful work. Private firms should not aim for profits as such but to achieve profits as a consequence of creating superior consumer value. A company makes money by satisfying customer needs better than its competitors.

Differences Between Marketing and Selling Concept

The difference between marketing and selling concept are elaborated in the points given below:

1. A business notion, which states that if consumers and businesses remain unattended, then there will not be ample sale of organisation's product, is the selling concept. A business orientation which talks about accomplishing organisational goals by becoming better than others in providing customer satisfaction is the marketing concept.
2. The marketing concept is related to the directing goods and services towards the mind of consumers. On the contrary, the selling concept is concerned with compelling consumer's mind towards goods and services.
3. The initial point of marketing concept is the target market, i.e. first of all the research of the entire market is conducted. As against this, the factory is the starting point of the selling concept.

4. The main focus of marketing concept is on the customer needs, but the selling concept puts greater thrust on the existing product.
5. The marketing concept has an outside-in perspective while selling concept has an inside-out perspective.
6. Satisfaction of consumers is the essence of the marketing concept. Conversely, the selling concept relies on the transfer of title and possession of the product from one person to another.
7. There is a long-term business planning in the marketing concept; that concentrates on brand loyalty and high switching cost. In contrast, the selling concept has a short-term business planning, i.e. taking a good position and share in the market but only for a short period.
8. The marketing concept is oriented towards profit maximisation, whereas in selling the concept, sales maximisation, is the ultimate objective.
9. The efforts involved in selling concept includes promotion and persuasion, but integrated marketing efforts are used by marketing concept, which encompasses various strategies related to the marketing mix i.e. product, price, place (physical distribution) and promotion.
10. In the marketing concept, the price is determined on the basis of various forces present in the market, i.e. demand and supply of the commodity. Unlike selling the concept, where the cost of production forms the basis of determining the price of the product or service.

SELLING METHODS

Direct selling, distance selling, liquidation, sales, price reduction, it isn't easy to handle yourself among them, but it is good to know for each of them there are rules offering protection to consumers. By the place where the selling is done and by the way the parties are present physically, simultaneous in the same place, there are several selling methods:

A. Selling inside commercial spaces

It is the most common type of selling, when the products and services are sold inside specific spaces and the parties are physically present, simultaneous in the same place.

B. Distance selling

Is a form of selling performed in the absence of simultaneous physical presence of the consumer and the professional, after a buying offer made by the latest, who, in order to conclude the contract, uses exclusively distance communication techniques. For this type of selling there are special rules – please see the Infosheet “Distance selling”.

C. Direct selling

Is a commercial practice where products and services are sold by the professional directly to the consumers, outside commercial spaces, using direct sellers that present the products and services for buying.

Price reduction selling

Are considered as price reduction selling:

- Liquidation selling;
- Sales;
- Selling made in factory stores or deposits;

- Promotional selling;
- Selling of products destined to satisfy an occasional need of the consumer, after the event has passed and it's obvious the same products cannot be sold in normal commercial conditions;
- Selling of products which after 3 months they were purchased by the professional were not sold;
- Accelerated selling of products that are susceptible to rapidly deteriorate or that cannot be conserved until their validity expires;
- Selling of products at a price that is the aligned to the legal price of other professionals from the same commercial area, for the same product, determined by the competition;
- Selling of products with identical characteristics, which have lower prices at the producer.

A. Liquidation selling: Liquidation selling is any selling that was preceded or accompanied by publicity and announced as “liquidation” and which, through a price reduction, has as an effect the accelerated selling of the whole or of only one part of the professional's stock, in one of the following situations:

- When the professional has definitively stopped his activity;
- Interruption of the seasonal commercial activity for at least 5 months after the liquidation is over;
- Changing the profile of the store, suspension or replacement of a commercial activity that was conducted in the same place;
- Selling the product stock by the dead professional's inheritors;
- Serious deterioration through calamities or vandalism of a part or the whole stock of products.

Liquidation selling **must be notified** on the basis of a detailed inventory of the merchandise. The professional must notify the local authorities.

B. Sales*:* **Sales** is any selling accompanied or preceded by publicity and announced as “sales” and which, through a price reduction has as an effect the accelerated selling of the seasonal merchandise stock. The sales can only be made during **two yearly periods**, with a maximum duration of **45 days each**.

The sales periods are established by the professional inside the
following limits:

· 15 January - 15 April, for autumn – winter products;
· 1 August – 31 October, for Spring – Summer products.

C. Selling made in factory stores or deposits

D.Selling made in factory stores or deposits are made from directly by producers from their own production. This type of selling **must not be notified**.

E. Promotional selling: *It* can be done in any moment of the year, without any notification, on the condition that:

· Is not made with a loss;

· Is done for available products;

· The products and services must exist for selling for the whole announced period.

Other types of selling

A. ***Publicity lottery:*** It is a promotion practice trying to stimulate for the participants the hope for a win by draw. The publicity lotteries are only admitted when the participants are not asked for a direct or indirect expense, additional to the product purchase. The normal communication expenses – post, telephone, etc. – are admitted.

B. ***Bonus selling:*** *It* is the commercial practice when consumers are offered, along with the product/service, immediately or at a specific date, a bonus under the form of products/services.

C. ***Conditioned selling:*** It is forbidden to condition the selling to the consumer of a product with the buying of another product or service. Also, it is forbidden to offer the consumer a service, conditioned by the necessity to buy another service or another product.

D. ***Forced selling:*** · Sending a product to a person, without prior order, asking him to buy that product or to return it to the sender, even without taxes, in case of refusal to buy; Offering a service to a person, without prior order, asking him to accept the service by paying the price.

Questions

1. What are the characteristic of Service Marketing
2. Describe the Marketing Strategy Formulating Process for a Consumer Product.
3. Design a Strategic Marketing Mix Components for a organized retail chain of outlets.

Unit – III

3.1 Transportation Definition

Merchandising establishments completed the chain with delivery to the consumers. The manufacturers limited themselves to the production of goods, leaving**marketing** and distribution to other firms. **Warehousing** and storage can be considered in terms of services for the production process and for product distribution.

Warehousing transportation

Warehousing

At times, the demand and supply for products can be unusually high. At other times, it can be unusually low. That's why companies generally maintain a certain amount of safety stock, oftentimes in warehouses. As a business owner, it would be great if you didn't have excess inventory you had to store in a warehouse. In an ideal world, materials or products would arrive at your facility just in time for you to assemble or sell them. Unfortunately, we don't live in an ideal world.Toys are a good example. Most toymakers work year round to be sure they have enough toys available for sale during the holidays. However, retailers don't want to buy a huge number of toys in July. They want to wait until November and December to buy large amounts of them.

Consequently, toymakers warehouse them until that time. Likewise, during the holiday season, retailers don't want to run out of toys, so they maintain a certain amount of safety stock in their warehouses.Some firms store products until their prices increase. Oil is an example. Speculators, including investment banks and hedge funds, have been known to buy, and hold, oil if they think its price is going to rapidly rise. Sometimes they go so far as to buy oil tankers and even entire oil fields (Winnett, 2004).

You might not know where the tiny town of Cushing, Oklahoma, is. But oil producers and traders around the world do. Cushing is one of the largest oil storage areas in the United States. Storage tanks like these cover more than nine square miles on the outskirts of the town (Davis, 2009).

A distribution center is a warehouse or storage facility where the emphasis is on processing and moving goods on to wholesalers, retailers, or consumers[1]. A few years ago, companies were moving toward large, centralized warehouses to keep costs down. In 2005, Walmart opened a four-million-square-foot distribution center in Texas. (Four million square feet is about the size of eighteen football fields.)

Today, however, the trend has shifted back to smaller warehouses. Using smaller warehouses is a change that's being driven by customer considerations rather than costs. The long lead times that result when companies transport products from Asia, the Middle East, and

South America are forcing international manufacturers and retailers to shorten delivery times to consumers (Specter, 2009). Warehousing products regionally, closer to consumers, can also help a company tailor its product selection to better match the needs of customers in different regions.

How Warehouses and Distribution Centers Function

So how do you begin to find a product or pallet of products in a warehouse or distribution center the size of eighteen football fields? To begin with, each type of product that is unique because of some characteristic—say, because of its manufacturer, size, color, or model—must be stored and accounted for separate from other items. To help distinguish it, its manufacturer gives it its own identification number, called a SKU (stock-keeping unit). Shows an example of a SKU that appears on a box of products. When the product enters the warehouse, it is scanned and given an "address," or location, in the warehouse where it is stored until it is plucked from its shelf and shipped.

Warehouses and distribution centers are also becoming increasingly automated and wired. As you learned in some warehouses use robots to picks products from shelves. At other warehouses, employees use voice-enabled headsets to pick products. Via the headsets, the workers communicate with a computer that tells them where to go and what to grab off of shelves. As a result, the employees are able to pick products more accurately than they could by looking at a sheet of paper or computer screen.

Essential Functions of Marketing:

Essential Functions of Marketing: Transportation and Storage!

Two important functions are performed under this classification viz., transportation, and storage and warehousing. These functions create time and place utilities. It has already been explained that marketing is concerned with taking the goods from one place to another.This is attained through the function of transport. Similarly goods are retained by the producers and wholesalers and released when they are needed. This is achieved through the function of storage.

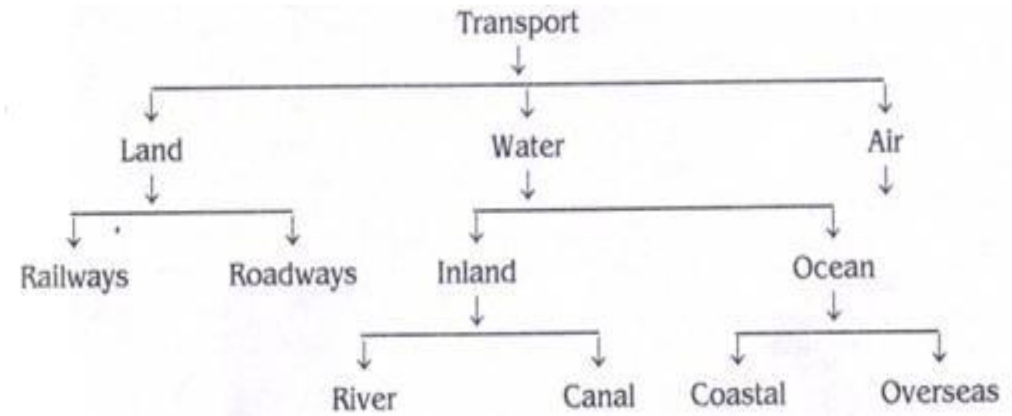
These two functions are explained as follows:

(1) Transportation:

Meaning:

Transportation is indispensible function of marketing. Transportation provides the physical means of carrying goods and persons from one place to another. In other words, it is concerned with carrying the goods from the places of production to the places of their consumption.Transportation creates place utility and regularises supply from one place to another. Transportation greatly facilitates the performance of marketing functions like buying, assembling, selling, storage and warehousing etc. The entire economy and its development is dependent on a well- knit system of transportation.

Modes of Transportation:



Importance of Transportation:

It is said that if agriculture and industry are the body and bones of a nation, transport and communications are its nerves. Modern industrialisation would have been a dream without a proper system of transportation.

Transportation widens the markets, raises the scale of operations, increases the mobility of labour and capital, provides growth and distribution of wealth and encourages specialisation and division of labour.

Following Points Highlight the Importance of Transportation:

1. Transportation plays significant role in quick industrialisation and development of agriculture.
2. It plays important role in the process of stabilisation of prices in different regions.
3. It is helpful in increasing internal and foreign trade. The development, of air and ocean transport has greatly increased foreign trade.
4. Transportation has greatly helped in increasing standard of living of people by providing goods even at far flung areas.
5. Transportation is one of the important considerations to be taken into account in deciding location of an industrial unit.
6. Transportation has helped to a great extent in the development and promotion of industries producing perishable articles like fishing, poultry farming, dairy farming, etc. Efficient and quick means of transport have made it possible to carry these goods to far away distances without any deterioration in their quality.
7. Transportation has greatly benefitted consumers by providing them large variety of products at lower costs.
8. Transportation has provided employment to millions of people and employment opportunities are further increasing with the increased means of transport.

From the above mentioned points it is clear that transportation is vital and essential component of an economy. The advancement of a nation is greatly attributed to its transport system.

(2) Storage and Warehousing:

Meaning Of Storage:

Storage is a process concerned with retaining and preserving the goods. Usually there is a time gap between production and consumption of goods. This gap is the concern of the function of storage. Storage makes available the goods as and when they are required and it ensures continuous and unrestricted supply and flow of goods in the market. In this manner, it creates place utility also by holding and retaining of goods at different places.

Importance of Storage:

Storage is an essential function of marketing. Its importance can be studied as follows:

1. Now-a-days production is carried on in anticipation of demand of the product in the market. All the goods are not sold off immediately. For the unsold stock of goods storage is indispensible.
2. Many commodities are seasonal in nature. They are produced during a particular season. In order to make their availability throughout the year, they have to be stored. This is usually done in case of agricultural produce.
3. Many products are produced throughout the year, but their demand arises only during a particular season in the year. In such cases products have to be stored and released when the season arrives. Wool and woollen garments are examples of this kind.
4. Storage is important from the point of view of producers as they have to store the raw material in order to carry production without any obstruction and delay on account of non-availability of raw material.
5. Storage of goods is necessary from the point of view of wholesalers as well as retailers. Wholesalers have to supply these goods regularly to retailers and retailers to consumers.
6. Storage acts as a process of equaliser of prices especially when the prices are going downward in the market. Farmers therefore can get better prices for their products because they can store their products in warehouses.
7. In case of perishable goods also, storage plays a significant role. Commodities like fruits, butter, eggs, vegetables etc., can be stored in cold storage to ensure their regular supply throughout the year.
8. Certain products which can get higher prices in future are stored for a longer period such as rice, tobacco, liqour etc.
9. Some goods require subsequent processing in order to bring them in consumable state, e.g., tea, tobacco, coffee, etc. Certain processes like curing and blending etc., are to be carried out. These products must be stored before such processes are carried out.
10. Storage is necessary in case where goods are produced at a distance from the customers. These goods must be stored near the market, so that unrestricted supply to be made to consumers. From the above, it is clear that storage is an integral segment of the marketing process. It tends to adjust the forces of demand and supply and acts as a stabiliser of prices.

Modes of Transportation

There are various means to carry products from one place to another. Land transport, water transport, air transport and pipeline transport are the major means of transportation. Each of them has its own features, merits and demerits. Proper means of transportation should be selected according to necessity, the nature of goods, cost, time for transportation, reliability, capacity, access, security etc. We can classify and describe the different modes of transportation in the following ways mentioned below:

Land Transport System

Land transport is the oldest and more practiced system. The means, which are used to carry people and goods through land transport are called land transportation. Land transportation is again divided in two classes as road transport and railway transport.

i. Road Transport

Road transport is being used from ancient time and it is very useful and important. The means of road transport are: a). men and labors, b). animals such as mule, horse, sheep, goat, camel etc. c). cart, lorry etc. d). the modern automobile such as motor, bus, truck, tractor, tempo, trolley bus, jeep etc are also used to transport people and goods. People, cloths, paper materials, books, machines and machinery, animals, fresh fruits and other goods are transported from one place to another.

Labors or porters are used to carry goods to remote places where modern means of transport have not reached. In some places horse, mule, sheep, goat, camels etc. are used to transport goods. Rickshaw, cycle, cart, lorry etc are also used in transporting goods and people. But the means of transport like bus, truck, tractor, motor, etc. have become very popular means of transporting goods and people. Nowadays, motor, truck, bus, jeep etc. have become synonyms of road transport.

ii. Railway Transport

The other important means of land transport is railway. It is used to transport goods and people from one place to another. Development of railway transport helps much to develop industry, commerce and whole economy of any country. It is very useful in transporting big and heavy goods and materials. Mostly railway is used in transporting big and heavy materials such as big machines, coal, food grain, chemicals, automobiles, iron , steel etc.

2. Water Transport System

Water transport is taken as an ancient means of transport, It was developed and used to transport goods and people from one country to another before the development of air transport. It is also operated to transport goods from one part to another of any country through big canals, rivers or sea. Water transport is a system of transporting goods and people from one place to another by ship, boat, steamer, motorboat etc. through canals, rivers, lake, sea, ocean etc. Water transport is suitable to transport petroleum products, chemicals, iron, machines, tools, heavy equipment, coal and several heavy goods.

3. Air Transport System

Air transport is the fastest modern means of transport. Air transport was started after First World War, especially after 1918. In the beginning until 1960, only passengers, mails, perishable goods and costly light goods were transported by air transport. But nowadays, air transport system has also become suitable for other industrial and commercial products. According to the research carried out by Air Canada on air fair market, air transport system has been proved cost effective and practical means for transporting industrial and business goods.The importance of air transport has gradually growing. This is the fastest speed means for transporting passengers and goods to different parts within a country and different countries of the world. Mostly, flowers of different species, perishable edibles, technical goods, emergency parts and parcels, equipment, mails and other valuable goods are transported by air transport system.

4. Pipeline Transport System

Pipeline is another important means of transport. Raw oil, Petroleum products, processed coal, drinking water, natural gas etc. are transported from one place to another place. Pipeline transport may be constructed underground or underwater. This means of transport is very useful for quick transportation of liquid materials even through high hills or plane land. This is regular and reliable means of transport. It needs less manpower. It does not need packaging service and cost and it can be operated 24 hours. It becomes long lasting in the condition of proper repair. But construction of pipeline system take huge investment and it can transport only liquid materials.

5. Rope-way Transport System

Rope-way is the another means of transport. It can transport people and goods. It can be operated in the places where road construction is impractical and costly. Certain limit of goods or people can be transported with the help of electricity. In the hilly remote countries, rope-way transport system may be suitable means.

Role and Importance Of Transportation

Transportation is the means to carry people and goods from one place to another. This has become very important in each stage of human civilization. If the present means of transportation were not developed, situation of the world would be totally different. Transportation has contributed much to the development of economic, social, political and cultural fields and uplifting their condition. Speedy industrialization is impossible without development of transportation. It is unavoidably necessary to promote transport system for the proper development of agricultural sector and rural areas. Without development of transportation neither mass production nor distribution is possible.

Transportation helps in mass production. Whether it is to purchase and bring raw materials or it is to distribute finished goods, one or the other means of transport is necessary. This expands old markets and creates new ones. As a result, demands for goods increases and production should also be increased. The contribution of transportation is very important to transport commodities to nooks and crannies of the world in a little time. If the development of transportation was not made, market would be limited in local areas and production would be limited to meet local needs only. As a result, economy of each country would remain in undeveloped condition.

Transportation helps much to the development of different industries, which produce perishable goods, such as fisheries, poultry firms, horticulture, dairy etc. Transport carries the perishable goods produced by such industries to the consumers living in different distant places in time. Otherwise such products would not be possible to supply to the consumers.The role and contribution of transportation is very important in marketing. The functions of transport in marketing can be discussed as follows

1. Physical Supply Of Products

Transportation carries necessary raw materials to factory for production of goods and supplies finished goods to consumers. It creates place and time utility of goods by transporting from one place to another. It easily carries finished to the hands of those who need and use them. This significantly increases aggregate sales of goods. In fact, transport is such a key of marketing, which helps in carrying goods to the scattered consumers in different places, narrows the gap between producers and consumers and facilitates to distribute goods to the consumers at minimum cost and time.

2. Specialization

Transportation facility encourages division of labor and specialization on geographical or regional basis. Transportation cost highly affects localization of industries. Production of goods may center at such place where the environment is the best and production cost is minimum. This makes maximum utilization of local resources possible, which is both economically and socially necessary.

3. Mobility of Labor And Capital

Transportation facility provides mobility to labor and capital. If more labor force is available at any place, transport helps to carry it economically to necessary place. The means of transport carry labors from one place to another. This encourages labor and capital to use and invest in more productive sectors.

4. Stabilization In Price

Transportation helps to bring stability in price of different products. It transports goods from more supplied places to scarcely supplied areas. This establishes coordination between demand and supply, and brings stability in prices. It helps to supply necessary goods regularly to the consumers. Besides this, consumers get necessary goods at lower prices, because it encourages competition among producers and makes mass production at lower cost possible.

5. Other Importance

Beside economic importance, transportation has also social, political and cultural importance. It establishes social and utility by narrowing geographical distance. It consolidates social and cultural utility and strengthens national integration. It helps to establish relationship with foreign countries. Transportation also helps widen knowledge and skill in different sectors. In this way, it helps establish social utility, uniformity and integrity and strengthens national security.So, transportation plays an important role in **physical distribution** system. It has also an important role in marketing function. In the lack of transportation, neither mass production nor distribution is possible. Transportation is important in social, economic, political and cultural aspects.

Land transport:

1. Takes place on land, using trucks, buses, trains, smaller vehicles like cars, etc. May also involves transport of liquids/gases through pipes.
2. Commonly preferred for smaller distances
3. Vehicles run on diesel, petrol (or gasoline), electricity or natural gas (CNG, etc.)
4. Commonly preferred form of public transport
5. Generally cheap for smaller distances

Water transport

1. Takes place in water bodies: streams, lakes, rivers and oceans. It uses boats, ships, etc.
2. Generally preferred for long distance cargo movement and /or tourism (cruise)
3. boats/ships run on liquid fuel (diesel)
4. not preferred for public transport, unless it is the only available option for mass transport, for example: for connecting smaller islands.
5. cheapest form of mass transport for long distance. However, it is also the slowest.

Ari transport:

1. Takes place in air using airplanes
2. Preferred for long distance transport, esp. for human beings and smaller cargo
3. Airplanes run on liquid fuel, generally a special blend known as jet fuel
4. Not used for mass public transport
5. Fastest option for travel, however it is a costly option.

STORAGE AND WAREHOUSING

Storage is an important marketing function, which involves holding and preserving goods from the time they are produced until they are needed for consumption.

- The storage of goods, therefore, from the time of production to the time of consumption, ensures a continuous flow of goods in the market.
- Storage protects the quality of perishable and semi-perishable products from deterioration;
- Some of the goods e.g., woolen garments, have a seasonal demand. To cope with this demand, production on a continuous basis and storage become necessary;
- It helps in the stabilization of prices by adjusting demand and supply;
- Storage is necessary for some period for performance of other marketing functions.
- Storage provides employment and income through price advantages.

Types

Underground Storage Structures

Underground storage structures are dugout structures similar to a well with sides plastered with cowdung. They may also be lined with stones or sand and cement. They may be circular or rectangular in shape. The capacity varies with the size of the structure.

Advantages

- Underground storage structures are safer from threats from various external sources of damage, such as theft, rain or wind.
- The underground storage space can temporarily be utilized for some other purposes with minor adjustments; and
- The underground storage structures are easier to fill up owing to the factor of gravity.

Surface storage structures

Foodgrains in a ground surface structure can be stored in two ways - bag storage or bulk storage.

I. Bag storage

- Each bag contains a definite quantity, which can be bought, sold or dispatched without difficulty;
- Bags are easier to load or unload.
- It is easier to keep separate lots with identification marks on the bags.
- The bags which are identified as infested on inspection can be removed and treated easily; and

- The problem of the sweating of grains does not arise because the surface of the bag is exposed to the atmospheres.

I. Bulk or loose storage

Advantages

- The exposed peripheral surface area per unit weight of grain is less. Consequently, the danger of damage from external sources is reduced; and
- Pest infestation is less because of almost airtight conditions in the deeper layers.
- The government of India has made efforts to promote improved storage facilities at the farm level.

Improved grain storage structures

I. For small-scale storage

- PAU bin

This is a galvanized metal iron structure. It s capacity ranges from 1.5 to 15 quintals. Designed

- Pusa bin

This is a storage structure is made of mud or bricks with a polythene film embedded within the walls.

- HapurTekka

It is a cylindrical rubberised cloth structure supported by bamboo poles on a metal tube base, and has a small hole in the bottom through which grain can be removed.

I. For large scale storage

- CAP Storage (Cover and Plinth)

It involves the construction of brick pillars to a height of 14" from the ground, with grooves into which wooden crates are fixed for the stacking of bags of foodgrains. The structure can be fabricated in less than 3 weeks. It is an economical way of storage on a large scale.

- Silos

In these structures, the grains in bulk are unloaded on the conveyor belts and, through mechanical operations, are carried to the storage structure. The storage capacity of each of these silos is around 25,000 tonnes.

Advantages

1. Less Capital Outlay:

Road transport required much less capital Investment as compared to other modes of transport such as railways and air transport. The cost of constructing, operating and maintaining roads is cheaper than that of the railways. Roads are generally constructed by the government and local authorities and only a small revenue is charged for the use of roads.

2. Door to Door Service:

The outstanding advantage of road transport is that it provides door to door or warehouse to warehouse service. This reduces cartage, loading and unloading expenses.

3. Service in Rural Areas:

Road transport is most suited for carrying goods and people to and from rural areas which are not served by rail, water or air transport. Exchange of goods, between large towns and small villages is made possible only through road transport.

4. Flexible Service:

Road transport has a great advantage over other modes of transport for its flexible service, its routes and timings can be adjusted and changed to individual requirements without much inconvenience.

5. Suitable for Short Distance:

It is more economic and quicker for carrying goods and people over short distances. Delays in transit of goods on account of intermediate loading and handling are avoided. Goods can be loaded direct into a road vehicle and transported straight to their place of destination.

6. Lesser Risk of Damage in Transit:

As the intermediate loading and handling is avoided, there is lesser risk of damage, breakage etc. of the goods in transit. Thus, road transport is most suited for transporting delicate goods like chinaware and glassware, which are likely to be damaged in the process of loading and unloading.

7. Saving in Packing Cost:

As compared to other modes of transport, the process of packing in motor transport is less complicated. Goods transported by motor transport require less packing or no packing in several cases.

8. Rapid Speed:

If the goods are to be sent immediately or quickly, motor transport is more suited than the railways or water transport. Water transport is very slow. Also much time is wasted in booking the goods and taking delivery of the goods in case of railway and water transport.

9. Less Cost:

Road transport not only requires less initial capital investment, the cost of operation and maintenance is also comparatively less. Even if the rate charged by motor transport is a little higher than that by the railways, the actual effective cost of transporting goods by motor transport is less. The actual cost is less because the motor transport saves in packing costs and the expenses of intermediate loading, unloading and handling charges.

10. Private Owned Vehicles:

Another advantage of road transport is that big businessmen can afford to have their own motor vehicles and initiate their own road services to market their products without causing any delay.

11. Feeder to other Modes of Transport:

The movement of goods begins and ultimately ends by making use of roads. Road and motor transport act as a feeder to the other modes of transport such as railways, ships and airways.

Disadvantages:

In spite of various merits, road/motor has some serious limitations:

1. Seasonal Nature:

Motor transport is not as reliable as rail transport. During rainy or flood season, roads become unfit and unsafe for use.

2. Accidents and Breakdowns:

There are more chances of accidents and breakdowns in case of motor transport. Thus, motor transport is not as safe as rail transport.

3. Unsuitable for Long Distance and Bulky Traffic:

This mode of transport is unsuitable and costly for transporting cheap and bulky goods over long distances.

4. Slow Speed:

The speed of motor transport is comparatively slow and limited.

5. Lack of Organisation:

The road transport is comparatively less organised. More often, it is irregular and undependable. The rates charged for transportation are also unstable and unequal.

Questions

1. What is called New Product development?
2. Define Positioning in marketing.
3. Explain the stages of Product Life Cycle and strategies to adapt at every stage.
4. Advertisement and Sales Promotions are inevitable in marketing' - evaluate with example.

UNIT – IV

Standardization and Grading

Standardization plays an important role in marketing. It makes selling and buying functions easy and more effective. Mostly, buying and selling of products is done on the basis of grade or mark. If quantity, size, quality of goods is already known, only price remains to be negotiated.

Grading and standardization is well understood and practiced at all India level for engineering and consumer goods. It is yet to become popular for rural producer.Efforts are made by standard organization to popularize the standards. Agmark is one of the important steps in popularizing quality moment by gradation.There are many advantages of grading. The important one is to obtain fair price to producer and justice to the consumer. Agmark "grades give full specifications of products for various commodities". These are yet to become with farmers and consumers.Bureau of Indian Standards, ISO, also have develop the grades and standards for agro produce which are to be made popular.Both producer and consumer awareness to grades need to improve a lot, media of TV, newspapers to be used to give to give publicity. At the same time awareness regarding misuse of labels is to be created.The role of Agriculture Universities, Co-operative moment, Village Panchayat is very important in spreading awareness information and knowledge regarding grades and standards for commonly used agricultural produce.

Standardization

Standardization is the process of fixing certain norms for the product. These norms are established by customs or tradition or by certain authority. It involves determination of basic characteristic of a product on the basis of which the product can be divided into various groups. It also means determining the standard of product to be produced with regard to size, color, form, weight, shape and quality. Standards are model products which form the basis of comparison.Without standardization the rule of caveat (law) prevails and there may be confusion and unfairness. The term of standardization is used in a broader sense. Standardization is a application of standard to goods meant for marketing with a view to further sub dividing them into several grades or classes. Thus standardization means making the quality specification of the grade uniform among buyers and sellers over space and time.According to National Commission on Agriculture standardization is defined as, "the determination of basic limits or grades in the form of specification to which manufactured goods must conform and a class into which the product of agriculture and the extra active industries may be sorted is known as standardization."

Basis of standardization:

Agricultural goods are standardized on the basis of different factors, based on which they are classified into different grades. The following are some of the factors on the basis of which standards are set:

1) On the basis of quantity, weight and measures.

2) On the basis of size and shape.
3) On the basis of color such as apples.
4) On the basis of quality such as food grains and cotton.

Packaging

Packaging refers to the container or wrapper that holds a product or group of products. Most commercial packaging serves two basic functions: protecting the product from damage during shipping, and promoting the product to the ultimate consumer. Some common types of packaging include shipping cartons, containers for industrial goods, and bags, boxes, cans, and other holders for consumer products. Packaging is of great importance to both sellers and buyers of products. It can prevent spoiling, breakage, tampering, or theft; enhance convenience in use or storage; and make products easier to identify. A significant improvement in packaging can even create a "new" product by expanding the ways in which it can be used, and thus its potential markets. For example, a soup that is packaged in a microwavable bowl might suddenly increase its sales to working people.

Types of standards

Following are different types of standards:

- Basic standards
- Normal standards
- Current standards
- Attainable (expected) standards
- Ideal (theoretical) standards

Basic standards

These are standards established considering those factors that are basic in nature and remain unchanged over a long period of time and are altered only when the business operations change significantly affecting the very basic foundations of the entity and nature of business. These standards help compare business operations over a longer period of time. Basic standards are used not only to evaluate actual results but also current expected results (current standards). We can say that basic standards work as a standard for other standards. As basic standards are not updated according to latest circumstances thus they are not used often as they cannot help in short term period variance analysis.

Normal Standards

These are such standards which are expected if normal circumstances prevail. Term normal represents the normal conditions of the business in the absence of any unexpected fluctuations (either favorable or unfavorable). Even through normal standards is more of a theoretical in nature as reality cannot be sufficiently predicted with all its fluctuations in advance. Also, circumstances may change in such a way that factors which were expected to be controllable are not so controllable by the mangers. Thus it has limited application in today's business environment. However, normal standards acts as a good yardstick that represents challenging yet attainable results and can be used by management in such environment which is simple in nature and is not prone to great fluctuations.

Current Standards

These standards are representative of current business conditions. These are mostly short term in nature and are widely used as they are the most relevant standards to be used for control purposes. These standards represent the state that business currently achieving or must achieve.

Attainable standards / Expected standards

These standards are based on current conditions and circumstances and represents what can be attained with the present setup in place and if the current conditions prevail. Current standards may be set lower or easier than expected standards but good managers always try to achieve what is attainable so that no resource is left unused. It means that attainable standards are representative of the potential that business is capable to achieve. For example machinery is expected to run for 4,000 hours where it can run for 5,000. Thus current standard is 4,000 hours where attainable is 5,000 hours. These standards are useful as they help management to analyze their performance and to use the unused potential at the right time.

Ideal standards / Theoretical standards.

This standard represents what business operations would be under ideal set of circumstances where everything is running at the optimum level with an ideal balance. These standards are representative of long term goals rather than for short term performance measurement. But with the advancement of technology and inventions even the ideal standards become attainable over the period of time but with every step taken forward and every question answered, more questions and more complexities pop up and its in human nature that it always extends the way forward with every milestone achieved. Therefore, ideal standards are not meant to be achieved rather to act like a guiding star.

Different types of standards

A standard is a document defining best practice, established by consensus and approved by a recognized body (such as BSI, ANSI or ISO). Each standard is kept current through a process of maintenance and review whereby it is updated, revised or withdrawn as necessary. Standards are designed to set out clear and unambiguous provisions and performance objectives in order to help trade and communication but may also meet other needs.

Some European Standards have been developed to support certain European (EU) directives by providing the simplest way of proving conformity. These standards in many cases are performance based rather than prescriptive. The BSI manages UK interactions with the

standards bodies for Europe: the European Committee for Standardization (CEN) and, through the British Electrotechnical Committee, the
European Committee for Electrotechnical Standardization.
Standards all have the same basic purpose of setting out agreed principles or criteria so that their users can make reliable assumptions about a particular product, service or practice.
However, they can vary in two major respects:

- The type of agreement
- The number of people, organizations or countries who were involved in making the agreement.

In some standards, the type of agreement essentially amounts to advice and guidance; others are much more prescriptive and set out absolute requirements that have to be met if a user wishes to make a claim of compliance with the standard.

Different subject areas and different user groups have needs for differing forms and levels of standardization, and BSI tries to cater for all these needs.

British Standards

Most standards published by BSI carry the status of "British Standard". This indicates that they have been developed using the processes set out in BS 0, A standard for standards. The principal characteristic of a British Standard is that it is produced by a process that involves:

- a committee – a widely-based group of experts nominated by organizations who have an interest in the content and application of the standard
- Consultation – making a draft available for scrutiny and comment to anyone who might be interested in it
- Consensus – the principle that the content of the standard is decided by general agreement of as many as possible of the committee members, rather than by majority voting.

This process reinforces the authority of the standard and helps to ensure that it will be accepted by a very wide range of people who might be interested in applying it.

British Standards may be developed entirely within the UK by BSI committees, or, in most cases, are adoptions of international standards developed under very similar processes and, almost always, involving strong UK participation.

PASs

A PAS is in many respects similar to a British Standard. However it is always developed in response to a commission by an external sponsor who funds a resource-intensive process which allows it to be developed and published quickly to satisfy an immediate business need.
For formal standards, national committees represent their communities in order to develop standards and related documents by consensus. They include representatives of government, testing laboratories, suppliers, consumers, academic institutions, societal interests, business, manufacturers, regulators and trade unions. European and international committees represent the

countries interested in the subject matter with the aim of reaching consensus, through expert delegations nominated by the relevant national standards bodies.

Grading SystemAdvantages and Importance of Grading:

Grading in general is helpful to all the stockholders in agro-related activities: the farmers, traders, co-operative and the ultimate consumers. The advantages of grading are:

1. Production of Large Scale:Goods are produced on a large scale, as grading of goods helps in increasing its demand. It becomes easy for a producer to produce these goods on a large scale as goods are graded.
2. Increase in Sales:Customers do not bother to enquire about the goods graded, as they are very easy to be sold. Therefore, marketing of graded goods becomes easy.
3. Quality Certainty:Certainty provides producers a reasonable price for their products and provides standard goods of uniform quality to customers at reasonable prices. It helps the producers as well as the buyers.
4. Helpful in Financial Management:For the financial management of the enterprise graded products are very helpful. These products can be used easily, as security loans can be arranged as security of these products.
5. Helpful in Future Contracts:Supply contracts may be entered into future for graded products as the identification of graded products become easy and different types of products are divided into different groups.
6. It makes price more reasonable to grades and there will be difference in price as per quality.
   7\. Simplification of storage and marketing of different grades.
7. Loans can be given based on stored goods as per the grade and'
8. Easier to understand quality available for each grade in case of bulk sale.
9. Based on grades, quality and quantity, it is easy to estimate value for loans against stock.
   11\. Price comparison by consumers is easy to due to grade identity. The buyer expects least or no risk in his purchases.
10. 12. Grading helps to create perfect competition in the market as it will set a good standard of equivalent grades and materials competition.
11. 13. Overall marketing cost can be reduced as repeat evaluation, spot separation (grading) and doubts in the mind on consumers are avoided.

Types of Grading:

Grading may be done on the basis of fixed standards or variable standards. It is of three types:

1**. Fixed or mandatory grading**:Under this the goods are sorted out according to the size, quality and other characteristics which are of fixed standards. These do not vary over time and space. It is mandatory for a person to follow these grade standards if he intends to sell graded

products.
The Agriculture Marketing Advisor Government of India has fixed grade standards for a number of agricultural commodities and it is compulsory to grade the produce according to these grade specifications. The use of mandatory standards is compulsory for export of the agricultural commodities to various countries.For many of the agricultural produce, certain grades and standards are fixed by Agricultural Marketing Advisor, Government of India. This is done for having and maintaining high standard and clarity of quality in case of exports of agro-produce. Farmers are not free to use their own standards and classifications in case of exports. The Government of India has made standards based on size, quality and other characteristics which are fixed standards hence mandatory for exporters.

2.**Permissive or variable grading**:Under this the goods are graded according to the standards which vary over a period of time. The grading specifications are fixed in over time and space in this case but changed every year according to the quality of the produce in that particular year. In India grading by this method is not permissible.

3. **Centralized/decentralized grading**:Under the centralized grading system an authorized packer either sets up for his own laboratory manned by qualified chemists or seeks access to an approved grading laboratory set up for the purpose by state authorities or co-operative association or private agencies. Grading in respect of commodities such as ghee, butter and vegetable oil where elaborate testing facilities are required for checking the purity as assessing the quality has been placed under the centralized system.

The directorate of Marketing and Inspection exercise close supervision on grading work of the approved chemist by way of periodical inspection of grading stations and the quality of graded produce. Under this system, the state marketing authorities under the overall supervision and guidance of the directorate of marketing and inspection implement the decentralized grading system. This system is followed in those commodities which do not have elaborate testing arrangements for assessing the quality.
Eg. Vegetables, fruits, eggs, pulses and cereals, the grades for these produce are determined on the basis of physical characteristics. Both these grading programmes are consumer oriented. In addition to these programmes, the state marketing authorities also implement a grading level. Free grading services are provided to farmers for sorting the produce.

4. **Grading at producers level:**

Under this programme, free grading services are provided too the farmers for sorting the produce before offering for sale. This enables them to realize prices commensurate with the quality of produce. Several regulated markets and warehouses are manned with grading personnel with the central assistance.Farmers on their own also do grading, which is actually categorizing as per their own thinking. They do not have an idea of standards and grades as per DMI. Farmers do only from the point of view of getting fair rates to their produce. Marketing agents also develop some expertise in gradation of agricultural produce and their opinion is given importance in price fixing and negotiations.

Inspection

. An inspection determines if the material or item is in proper quantity and condition, and if it conforms to the applicable or specified requirements. Inspection is generally divided into three categories: (1) Receiving inspection, (2) In-process inspection, and (3) Final inspection. In quality control (which is guided by the principle that "Quality cannot be inspected into a product") the role of inspection is to verify and validate the variance data; it does not involve separating the good from the bad. Critical appraisal involved by examination, measurement, testing, gauging, and comparison of materials or items

The quality assurance specialists can help you to identify corrective actions for any non-conformity detected before the completion of consignments. We can provide significant cost savings by deploying our professionals, even to the most remote areas. Independent inspections of your products, at various stages of the product's life cycle, will ensure that the quality of your mass production will match that of samples tested and will help you to identify critical defects before products hit the market.

Beyond product inspection, we can also check the quality performance history of existing and new suppliers and help to ensure the continuous effectiveness of your quality assurance program(s) during peak seasons, to minimize the risk of dispute. By employing our customizable quality control methods, you can stay on top of all client-specified technical requirements, even for small and region-specific production volumes.

Labeling

Branding, packaging and labeling are the secondary functions of marketing. They perform functions together as integrated parts of product planning and development. The function of putting identification mark of the product on its package is called 'labeling'. In other words, to put certain mark, or paste or tag with certain instruction or description on its package is called labeling product. If information about the product is printed on the package or pasted on it, then it is called label. A label can be printed statement or written in paper, or it may be unprinted piece or leather piece.

Object of Labelling

Like branding, the objective of labeling is to give information to customers about the product, which the consumers want to buy. In fact, labeling is a part of packaging. On some products, it is pasted directly on the product. Label is used to give information about the brand, standard and other instructions along with manufacturer's identification to the customers. So, there is close relationship between labeling and packaging , as well as label and branding or grading.

The customers can compare the products and know about the quality of the product from the label pasted, put or printed on the package. Label provides information about the name, feature, quality, price, utility, nature, ingredients etc. of the product and also manufactured date, place and producer's identification. It also gives instruction how to use and handle the product. In the label used on medicine package, manufactured date, expiry date, composition of the ingredients, using instruction etc. are mentioned. Customers can get information about the ingredients or composition used in manufacturing the medicine from label on the bottle or packet. In the lack of proper information, the customers hesitate to buy any products. Label gives information or answers of all possible questions that the customers may raise about the product. It also mentions maximum retail prices of the products. So, labeling is an important part of branding and marketing.

Functions of Labeling

Labeling gives necessary information to the customers about the products. The customers can get knowledge about the quality and features of product without tasting the product. They can recognize standard and grade of the product. Label provides information about the price, quantity, quality etc. of the product, due to which the customers buy the product without doubt and hesitation. They compare the product with the same nature products of other firms on the basis of the information provided on the label.

Label becomes helpful to sellers to sell out the product. It protects the customers from malpractices of the middlemen. Labeling is very important element affecting sales and distribution process of a product, which provides clear information about the grade, quantity, price, brand name, features etc. to the customers.

In marketing, the importance and necessity of labeling of a product can be mentioned as follows:

1. Labeling identifies the product

Label helps to identify the product and brand. It popularizes the product and its brand name.

2. Labeling grades the product

Label helps to express grade of the product. For example, wheat can be express with the grades such as 1, 2, 3, 4. Label becomes useful to grade any product according to its quality.

3. Labeling describes the product

Label gives introduction of the product, describes and expresses its grade. Information and instructions about- who manufactured the product, when and where it was manufactured, how many ingredients have been used in it, how to use the product, how to keep the product safe, etc. are given on the label. This becomes helpful to the customers.

4. Labeling promotes the product

Label helps to promote product. Customers' attention is drawn by attractive and fascinating graphs, figures or marks. This motivates the customers to buy the product. Label plays and important role in sales and distribution as it makes the customers take buying decision.

5. Labeling protects the customers

Label protects the customers. As maximum selling price, quantity, quality etc. are mentioned on the label, the customers are protected from the possible malpractice of middlemen.

Types of Labels

Labels can be divided in four types. They are brand label, grade label, descriptive label and informative label.

1. Brand label

If only brand is used on package of a product, this is called brand label. Brand itself is expressed in label. Brand label is put on some cloth. It tells the name of the cloth, e.g, 'Sanforised'. Similarly, label is used on soap e.g, Lux, Hamam, Rexona etc.

2. Grade label

Some products have given grade label. Grade label shows the grade of the product. It shows the qualityof products by words, letters, or figure. A,B,C,D grade can be put on peas packed into cans. Similarly, grade label can be mentioned as 1,2,3,4 grades for packed wheat,. Some firms may use labels as good, better, best etc. on their products.

3. Descriptive label

Descriptive label give information about the feature, using instruction, handling, security etc. of the products. Descriptive label is used for the products whose grade cannot be differentiated.

4. Informative label

Informative label gives information about the product. Using method and security of the product, name of the producer, manufactured date, expiry date, name of intermediary, additional instructions regarding the use of the product etc. are mentioned in informative label. Descriptive label gives general information about the product whereas informative label gives maximum information about the product including its use, manufacturer etc.

Branding

Branding is an activity of marketing, which makes a product known in the market. Different producers produce different goods. They should be given certain brand for making them known among the customers. On the basis of the same, sellers become able to sell the products of any producer and customer also demand for the products on the basis of the brand.

Branding means to give specific name, symbol, term, or design or so to products. Branding is to give name to the products in order to popularize and help customers identify them. Brand name is the only means to distinguish the products of same nature produced by different producers. For example different types of cigarettes of different quality are found in the market. Among them the customers can easily identify their favorite cigarette by their brand like 555, More, Marlboro etc.

Hence, it becomes clear that any name, word, symbol or special design or so used by producers intending to differentiate their products from the same nature or services of competitors in market is called branding.

In the context of branding, brand name, brand symbol, trade mark, etc. are used in goods or services. Brand name is composed of any word, letter, or digit or so, which can be easily pronounced. Toyota, Suzuki, Mitsubishi etc. are brand names of cars whereas State Express, Marlboro etc. are the brand names of cigarettes. But brand mark is the part of brand, which is symbol, design or color which is used to easily identify the product but cannot be pronounced. Special styled letters written as 'Suzuki', '555 of State Express', special bottle of 'Star Beer' etc are the examples of brand mark. Similarly, trademark means products are given certain name; such as legally registered in the concerned office of the government. So, the brand that has got legal protection or legal recognition is called 'trademark'.

Importance and Reasons for Branding Products

Branding of products is very important in marketing. It promotes image and reputation of business firm. It also gives satisfaction to the customers. Trademark helps producer and sellers get legal protection. From this customers can get quality products at reasonable price. Producers, sellers, customers get different benefits and advantages from brand name and trademark. So, the main reasons for branding products are the benefits and advantages that the consumers and business firm get. The importance and reasons for branding products can be mentioned as follows:

Importance and reasons of branding from consumers' viewpoint

1. Product identification

Branding plays an important role to help consumers or industrial users to identify and differentiate the products from the other company. The consumers or users, with little effort, can easily buy the products of the brand whichever they want.

2. Stability in quality and price

As the products, which have been branded, do not differ in quality and price, the consumers can purchase such products with confidence. Moreover, mostly reputed producers produce the branded products. The producer always tries to improve quality by which the consumers get more utility and benefits from branded products.

3. Buying spares and parts

Branding helps customers to buy spares and parts for their automobile, machines, and other equipment. As the producer produce such spares and parts in the same brand name and trade mark, the customers do not have to cheat by counterfeit products.

4. Regular supply

As the branded products are supplied regularly, the customers can get and use them regularly. If once the customers are satisfied with the products, they buy the products of the same brand when need again.

5. Social prestige

Social prestige, respect and status of consumers rise up from buying branded products. Branded products also give psychological satisfaction to the consumers.

So, branding product is logical and useful for the above mentioned benefits the customers or consumers get from branded products.

Importance and reasons of branding from producers' viewpoint

From the producers' and sellers' point of view, the following advantages and benefits can be enjoyed from branded products:

1. Advertising

Branding helps producer and sellers to promote their products and sales through advertisement. Branded products can be advertised and advertisement creates demand.

2. Market control

Branded products can control market more than the unbranded ones. It becomes possible to receive purchase order from customers for the products, which have brand name or symbol. If the products have brand name, 'brand loyalty' or 'brand patronage' becomes possible.

3. Expansion of product mix

A reputed manufacturing company, which produces and sells better products of established brand, can also produce other new products using same brand. The customers who have brand loyalty of the old products confidently buy and use the new products of the same brand. In this way, branding helps to develop, produce and sell new products.

4. Reduces price comparisons

If the products are branded, the customers do not compare price with other products of different companies, because brand itself differentiate the products and prices. Hence, the producer or sellers become free to determine price.

5. Goodwill and image

Quality product and popular brand help increase goodwill and image of the manufacturing firm and sellers. Such brand attracts general public towards the firm. As a result, volume of sales increases. Besides this, banks and financial institutions provide necessary financial help for production and sales.

Importance and reasons of branding from society's viewpoint

1. Promotion of social events

A company, which deals in products of reputed brand, sponsors for different social programs such as education, health, sports, cultural campaign, seminar, workshop etc. for the promotionof product. Such activities do not only promote products but also make the society aware.

2. Consumer welfare

Branded products protect consumers' rights. If any wrong, defect or fault is found in branded products, the consumers can get compensation according to the legal provision. But if any defect, fault found in unbranded products or they cause damage or loss, it becomes difficult to identify and take legal actions.

3. Environmental protection

Products of reputed brand become helpful in environmental protection.On the other, environmentally aware society gives priority to use environment friendly brand. In this way, branding of products also helps protect environment.

Meaning of Packing

Along with determination of standard, level and branding of products, packaging also has important role in marketing. Products should be well packed to carry them safely to the customers and consumers. Packaging and packing are the activities related with product plan. Some are found to have used them in separate sense. Mainly packing is wrapping a commodity or binding it in a suitable way for transporting, storing and handling.

The task of keeping, packing, wrapping, or binding commodity in sack, cloth, paper, box, can, bottle etc. according to the nature of product is called packing. But the word packaging does not limit the meaning to only packing; wrapping or binding in anything, rather it also works for sales promotion. Packaging is also concerned with the matter how to put or keep a commodity in a container, box or can in an attractive, safe and comfortable manner.

The function of packaging is to use attractive container and wrapping material pack a product decoratively as well as attractively and labeling on it. The main objectives of packaging are to keep commodities safe, promote their sales and make them convenient for consumers to use. The activities such as taking decision on what kind of material, can, box or container becomes suitable for packing a commodity, designing, making ready, decorating etc. include in packaging. So, packaging is very important in marketing for safety of products, sales promotion, consumers' convenience, making flow of information to customers etc.

Packaging can be classified as follows:

1. Family packaging

If a manufacturing firm uses same type and same design of package for all kinds of its products, this is called family packaging. For example, if a producer uses same or common design of package for different types of soaps, it is called family packaging. This is also called 'product line packaging' or 'packaging the product line'. This works as family brand. If any new product is added to the product line, its promotional value is related with old product. However, the use of family packaging is suitable only for the producers, which are same in use and equal in quality.

2. Reusable packaging

The package or container, which can be used for any other purposes, is called reusable packaging. Cheese packed bottle can be used to put juice, oil or pickle after the cheese has been finished. The reusable packaging motivates consumers to buy product again and again to make good set of reusable containers.

3. Multiple packaging

The package or container which can be used to put or pack varieties of goods is called multiple packaging. A single container or kit can be used to put different make-ups or cosmetic materials. Multiple packaging has proved to be helpful in increasing aggregate sales of products.
Apart from the above mentioned types of packaging, carriage or distribution packaging, container packaging, etc. are also found in use.

Functions of Packaging

Packaging is one of the most important functions in marketing. The task of keeping any product in container, carton, or wrapping in, binding with, or keeping in boxes etc. for freshness and protection of products is called packing. But packaging does not mean only this task. Packaging has broad meaning. The important functions of packaging are as follows:

1. Containment

To provide proper and safe container or place for keeping any product is an important function of packaging. The functions of designing, producing and providing containers, boxes, packets, bottles, paper, or paper-bags, or plastic bags etc. according to the nature of products to put them include in packaging. Suitable kinds of containers or boxes are used according to the nature of products for transporting or keeping them in warehouse or in showroom.

2. Protection

The main or important function and objective of packaging is to keep the products safe and fresh. Packaging helps to protect products from the possibility of loss, damage, decline in quantity and quality, color, size, etc. that may be caused by sun, rain, dust, insect, air and so on. The products are packed in proper materials to carry them from one place to another in right condition. Some cases, package increases the life span of the products. Glass made goods, food products and many other goods can be kept safe from crack and break, damage, decaying, adulteration etc. by packaging.

3. Identification

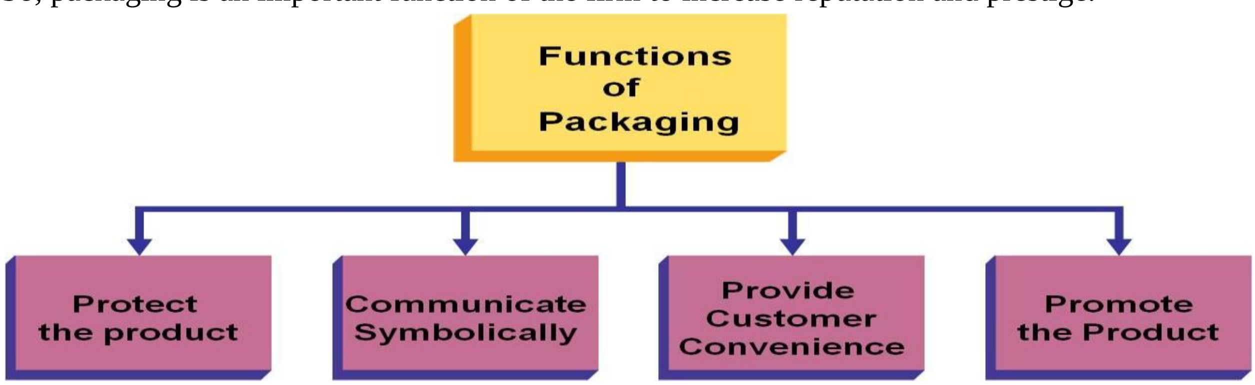
Packaging gives short introduction of different kinds of products and their producers. Every producer or middlemen select color, size, design of container or box, and package their products in a way that they look different from competitors' products. This makes customers easy to identify the same-nature products of different firms. The customers can recognize and may buy the products of their favorite company or brand as soon as see the package. Mostly, information such as name of the product, name of manufacturing company, ingredients used i product, weight, quality of the product, its using method are printed or written on the package.

4. Promotion

The other important objective and function of packaging is to promote sales of the product. If the product has been packaged in attractive material nicely, it plays important role in sales promotion. Attractive packaging draws attention of customers stimulates their interest toward the product and motivates them to buy.

5. Prestige

The other function of packaging is to create brand prestige of product. A quality product properly packaged in good material becomes prestigious. Even though the product is good in quality, but its packaging is not attractive, customers' attitude becomes negative towards the product itself. So, packaging is an important function of the firm to increase reputation and prestige.



Features of Good Packaging

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

Following are the main features of good packaging:

1. Convenient

Good packaging should be convenient. Package should be made in a way that the product could be conveniently taken from one place to another and can be handled easily by middlemen or consumers. The size and shape of package also should be convenient for retailers to keep in shop or for consumers to keep at their home. The package design should be made re-use-able, if possible.

2. Attractive

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

3. Economical

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

4. Protective

The purpose of packaging is to protect products from different risks. Products should be packaged in a way that the quality, quantity, color etc. of product does not decline or damaged from sun, rain, insects, dust etc. While carrying from one place to another, transporting or storing in, and products may get damaged, putrefied, spoiled, or rotten. So, proper arrangement should be made to save the product from every risk. Only the packaging, which can protect products from all risk, is a good packaging.

5. Communicative

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

The importance of packaging is as follows:

- **Creation of demand:**

Packaging plays an important role in the creation of demand by attracting the consumers. The customers become known with the product through advertising. It helps to increase the demand of the customers.

- **Protection of the product:**

Packaging helps to protect the product from heat, light, moisture, evaporation, dust etc. during its long passage from the factory to the target customers. It protects the products from breakage, leakage spoilage etc.

- **Transportation:**

Packaging facilitates transportation of products from one place to another. It ensures easy transportation and better handling of products in transit.

- **Guidelines to customers:**

Packaging helps as a guideline for the customers.From the informative literature regarding the quality and use of the product, the customers get the guidelines. The customers are ensured about the quality of the products.

- **Better storage:**

Packaging acts as a better storage of the products.Goods with good packages can be stored in the retail shop also in lesser price.

- **Facilitates for carrying:**

Packaging plays an important role in carrying the goods in transit and from one place to another. It is made in different sizes and it facilitates provisions for easy and open carrying.

- **Identification of product differentiation:**

Packaging helps to identify the product differentiation easily.It ensures the individuality of the products and one product can be easily differentiated with each other products in the market. The customers can easily identify their product of choice at the time of purchase. This helps the customers to prevent substitution of goods by other customers.

- **Economy:**

Packaging helps to reduce the cost of marketing the goods by reducing losses from damages. As packaging is helpful for sales promotion, so it helps to attain economy in the cost structure of the producers and marketers.

Levels of packaging

Packaging has three levels as mentioned below:

1. Primary package

The package, which has enclosed the actual commodity, is called primary package. Such package remains attached with the actual commodity until the consumers have completely used it. Tooth paste-tube, bottles of medicines, cigarette packets, match box etc. are the examples of primary package.

2. Secondary package

The layer of cover added to the primary package for its protection is called secondary package. After bringing the product home or being ready to use the product, the secondary package is taken-off or thrown. The cardboard-box in which tube of toothpaste is packed, the cover of soap etc are the examples of secondary package. The consumers do not keep secondary package for long.

3. Shipping package

Shipping package is used to facilitate, identification, transportation, handling and storing the products. Shipping package is very important and necessary for the products of whose nature is to keep store for long time, to carry far away and need to be loaded and unloaded several times. Under shipping package, there may many primary and secondary packages. Woo

Requirements of good packaging

- Functional – effectively contain and protect the contents
- Provide convenience during distribution, sale, opening, use, reuse, etc.
- Be environmentally responsible
- Be cost effective
- Appropriately designed for target market
- Eye-catching (particularly for retail/consumer sales)
- Communicate attributes and recommended use of the product and package
- Compliant with retailers' requirements
- Promotes image of enterprise
- Distinguishable from competitors' products
- Meet legal requirements for product and packaging
- Point of difference in service and supply of product.
- For a perfect product, perfect colour.

Features of good packaging

A good package indicates individuality of a product in a dramatic and easily recognizable way. The features of good packaging can be briefly shown below:

- **Convenience:** Convenience is one of the good features of packaging.The packaging provides size options and it facilitates provisions for the easy open of the products. The package should neither be heavy in weight nor large in size.
- **Security:** The packaging provides security of the products and it protects the products from dust, light, spoilage, damage, evaporation, etc. It ensures the preservation of the quality and quantity of the products.
- **Status or prestige:** Packaging creates confidence among the customers and it creates status and prestige of the products. It helps in the increment of status and prestige to the consumers. The product is also known by its packaging.
- **Adaptability:** The package should of moderate size so that it can be kept in proper place. It should be adapted in all the places. Adaptability is very essential in packaging.
- **Dependability:** The packaging should be dependable. Dependability indicates the positive idea of a customer about the manufacturing of the product. It is very important to have dependability in the products.
- **Handsome design:** The packaging should have a handsome design. The handsome design attracts the customers to buy the products. To get touch with the taste and fashion of the customers, a constant renewal of design is required. It is very necessary to design the products for making the consumers attracted towards it.

Questions

1. Mention any four demerits of online buying
2. How customers will react to a purchase dis- satisfaction?
3. Explain the different types in buyer behaviour models with example
4. Explain importance and reasons of branding from society's viewpoint
5. Explain the labeling

UNIT-V

CHANNELS OF DISTRIBUTION

Channels of Distribution

Various marketing intermediaries are used in transferring the products from the hands of producers to the final consumers or industrial users. These marketing intermediaries carry alternate names such as wholesalers, distributors, retailers, franchised dealers, jobbers, authorized dealers and agents. Such marketing intermediaries compromise the distribution channel. These distribution channels minimize the gap between point of production and point of consumption, and thereby create place, time and possession utilities.

Distribution is the process of making a product or service available for the consumer or business user that needs it. This can be done directly by the producer or service provider, or using indirect channels with intermediaries. The other three parts of the marketing mix are product, pricing, and promotion. The distribution function of marketing is comparable to the place component of the marketing mix in that both center on getting the goods from the producer to the consumer. A **distribution channel** in marketing refers to the path or route through which ,goods and services travel to get from the place of production or manufacture

A marketing channel is the people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption. It is the way products and services get to the end-user, the consumer; and are also known as a distribution channel.

Role and Significance/Importance of Distribution Channels

Distribution Channels perform a crucial role in the successful distribution and marketing of all products. They have various contacts, expertise and wider knowledge of the products. The rapidly growing markets and increasing complexities of distribution have increased the demand and requirement of the distribution channels.

The role of distribution channels can be summarised as follows:

1. **Distribution channels offer salesmanship:** The distribution channels offer pivotal role of a sales agent. They help in creating new products in market. They specialize in word of mouth selling and promotion of products. They assure pre-sale and post-sale service to the consumers. Since these channels are in direct and regular contact with the consumers,

they do salesmanship very well and at the same time provide true and valuable feedback to the producers.

2. **Distribution channels increase distributional efficiency:** The intermediary channels ease the sales process as they are in direct contact with the customers. They narrow down the gap between producers and consumers both ecoomically and efficiently. These intermediaries reduce the number of transactions involved in making products available from producers to consumers. For instance, there are four producers who are targeting to sell their products to four customers . If there is no distribution channel involved, then there will be sixteen transactions involved. But if the producers use distribution channels, then the number of transactions involved will be reduced to eight(four from producer to intermediary and four from intermediary to customer), and thereby the transportation costs and efforts will also be reduced.
3. **The channels offer products in required assortments:** Just like the producers have expertise in manufacturing products, similarly the intermediaries have their own expertise. The wholesalers specialize in moving and transferring products from various producers to greater number of retailers. Similarly, the retailers have expertise in selling a wide assortment of goods in less quantity to a greater number of final customers. Due to the presence of distribution channels(wholesalers and retailers), it is possible for a consumer to buy the required products at right time from a store conveniently located(geographically closer) rather than ordering from a far located factory. Thus, these intermediaries break the bulk and meet the less quantity demand of the customers.
4. **They assist in product merchandising:** It is actually the merchandising by intermediaries which fastens the product movement from the retail shop desk to the customer’s basket. When a customer goes to a retail shop, he may be fascinated by the attractive display of some new product, may get curious about that new product, and he may switch over to that new product leaving his regular product. Thus merchandising activities of the intermediaries serve as a quiet seller at a retail store.
5. **The channels assist in executing the price mechanism between the firm and the final customers:** The intermediaries help in reaching a price level which is acceptable both to the producers as well to the consumers.

6. **Distribution channels assist in stock holding:** The intermediaries perform various other functions like financing the products, storing the products, bearing of risks and providing required warehouse space.

Thus, the distribution channels are a vital constituent of a firm's comprehensive marketing strategy. They assist in expanding product reach and availability, as well in increasing revenue.

Types of Channel of Distribution

Different types of channel of distribution are as follows:

Manufacturers and consumers are two major components of the market. Intermediaries perform the duty of eliminating the distance between the two. There is no standardised level which proves that the distance between the two is eliminated.

Based on necessity the help of one or more intermediaries could be taken and even this is possible that there happens to be no intermediary. Their description is as follows:

(A) Direct Channel or Zero Level Channels:

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels:

When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:

1. One Level Channel:

In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods). This channel is clarified in the following diagram:

2. Two Level Channels:

In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.

Then the retailers make the products available to the consumers. This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc. This channel is more clarified in the following diagram:

3. Three Level Channels:

Under this one more level is added to Two Level Channel in the form of agent. An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them.

Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumers.

MARKETING INTERMEDIARIES

Marketing channels which generally have one or more intermediaries can be categorized into agent / broker, wholesaler and retailer. Intermediaries area Firm or person (such as a broker or consultant) who acts as a mediator on a link between parties to a business deal, investment decision, negotiation, etc. In money markets, for example, banks act as intermediaries between depositors seeking interest income and borrowers seeking debt capital.

Middleman

Middlemen are independent business concern standing between the producers and the ultimate consumers as goods and services move from where they are producer to where they are consume. Middle also referred to as intermediaries play a vital part in ensuring that the distribution channel between producer and the consumers is complete. The more the intermediaries in the supply chain, the higher the distribution channel. Examples of middlemen include: wholesalers, retailers, agents and brokers. Wholesalers and agents are closer to the producers, wholesalers buy the goods in bulk and sell them to retailer in large quantities. Retailers and brokers acquire the goods from the wholesalers and sell them in small quantities to the consumers, consumers may also choose to bypass the intermediaries and buy directly from the producers. This is referred to as dis-intermediation.

Middlemen are classify basically into two on the basis of whether they own a title to the product or not: “merchant middlemen and Agent middlemen”. Merchant middlemen actually take title to the products they help to market. The two groups of merchant middlemen are wholesalers and retailers. Agent middlemen never actually own the products but they do arrange the transfer of title. Real estate brokers, manufacturers of title. Real estate brokers, manufacturers agents, and travel agents are examples of agent middlemen.

Agent middlemen are specialized wholesalers who do not own the product they sell but only help in buying and selling.

Agents can be classified into:

1. Manufacturer's Agent: They sell products for several non competition producers for a commission on what is actually sold.
2. Commission merchant: They handle products shipped to them by sellers complete the sale, and send the money minus commission to each seller.
3. Auction companies that provide a place for buyers and sellers to meet for transaction.

Importance of Middlemen

Intermediaries are very important players in the market. Both the consumers and producers gain immensely from the roles of middlemen, who ensure that, there is a seamless flow of goods in the market by matching supply and demand.

Intermediaries provide feedback to the producers about the market, thus influencing the decisions made by the manufacturers. Buyers on the other hand, gain from the services offered by intermediaries such as promotion and delivery. Buyers can get the right quantity they want as intermediaries are able to sell in small units.

FUNCTIONS OF MIDDLEMEN

The functions of the middlemen consist or include the following;

1. Information provider: – Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychology, media habit and the entry of a new competitor or a new brand and change in customers preferences are some of the information that all manufacturers wants. Since these middlemen are present in the market place and close to customers they can provide this information at no additional cost.

2. Price stability: – Maintaining price stability in the market is another function a middleman performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra-middlemen competition. The middleman also maintains price stability by keeping his overhead low.

3. **Promotion:** – Promoting the products in his territory is another function that middlemen perform, many of them design their own sales incentive programmes, aimed at building customers traffic at the other outlets.

4. **Financing:** Middlemen finance manufacturer's operation by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though the manufacturer may extend credit because it has to be made even before the products are bought, consumed and paid for by the ultimate consumer.

5. **Title: –** Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at very moment it arises.

6. **Help in production function:** The producer can concentrate on the production function leaving the marketing problem to middlemen who specialize in the profession. Their services can best utilize for selling the product.

7. **Pricing:** In pricing a product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and know what they can pay for the product. Pricing may be different for different markets or products depending upon the channel of distribution.

8. **Matching Buyers and Sellers:** The most crucial activity of the marketing channel members is to match the needs of buyers and sellers. Normally, most sellers do not know where they can reach potential buyers and similarly, buyers can reach potential sellers.

9. **Standardizing Transactions: –** Standardizing transaction is another function of marketing channels. Taking the example of the milk delivery system, the distribution channels standardized throughout the marketing channel so that consumers do not need to negotiate with the sellers on any aspect. Whether it is price, quality, method of payment or location of the product.

By standardizing transactions, marketing channels automate most of the stages in the flow of products from the manufacturer to the customers.

10. **Matching Demand and Supply:** The chief functions of intermediaries is to assemble the goods from many producers in such a manner that a customer can affect purchases with ease. The goal of the marketing is the matching of segments of supply and demand.

The matching process is undertaken by performing the following functions:

a. **Contractual**: – Finding out buyers and sellers.

b. **Merchandising**: Producing goods that will satisfy market requirements.

c. **Pricing**: process of attaching value to the product in monetary terms.

d. **Propaganda**: Sales promotion activities.

e. **Physical Distribution:** Distribution activities.

f. **Termination**: Settlement of contract i.e. paying the value and receiving the goods.

WHOLESALER

Meaning and Definition:

The word 'Wholesaler' has been derived from the word 'Wholesale' which means to sell goods in relatively large quantities or in bulk. A wholesaler, in the words of S.E. Thomas 'is a trader who purchases goods in large quantities from manufacturers and sells to retailers in small quantities.

The term 'wholesaler' applies only to a merchant middleman engaged in selling the goods in bulk quantities. Wholesaling includes all marketing transactions in which purchases are intended for resale or are used in marketing other products. Thus, we can say that a wholesaler is a person who buys goods from the producer in bulk quantities and forwards them in small quantities to retailers. So, a true wholesaler, as S.E. Thomas observes, "is himself neither a manufacturer nor a retailer, but acts as a link between the two". He is a vital link in the channel of distribution.

Characteristics of a Wholesaler:

(i) He buys in bulk quantities from producers and resells them to retailers in small quantities.

(ii) He usually deals in a few types of products.

(iii) He is a vital link between the producer and the retailer.

(iv) He operates in a specific area determined by producers.

(v) He does not display his goods but keeps them in godowns. Only samples are shown to intending buyers.

(vi) A wholesaler may be an individual or otherwise a firm.

(vii) A wholesaler generally sets up distribution centre in parts of the country to make available goods to the retailers.

(viii) He sets up own warehouses to store goods for ready supply.

Types of Wholesalers:

The wholesalers may be classified under the following headings:

(A) On the basis of area covered:

(a) Local wholesalers, who distribute the goods from the producer to the consumer of a particular locality or area.

(b) State wholesalers, who function in a particular state or province.

(c) Country-wide wholesales who are located at the main business centres of the country and who distribute goods throughout the length and breadth of the country.

(B) On the basis of the goods they deal in:

It is the most used grouping of wholesale concerns. According to T.N. Backman, 'it is not easy to define their limits of operations on any particular basis or criterion, but usually three bases are selected:

(a) Methods of distributing goods: (b) sources of supply; and (c) the use of the goods by the consumers.'

(C) On the basis of methods of operation:

(a) Full-function wholesales-who perform the entire range of wholesale functions, viz., assembling, storage, transportation, packing, financing and risk-bearing.

(b) Limited function wholesalers-who perform only limited or specific functions out of the full range of wholesale functions. They include:

(i) Rack Jobbers-wholesalers who sell special products viz., household wares and cosmetic/toiletries to retailers.

(ii) Truck wholesalers-who combine selling, delivery, and collection in one operation. They carry only specific type of products, usually perishable and semi-perishable goods.

(iii) Cash-and-carry wholesalers-who sell their stocks to retailers on 'cash and carry' basis. The retailers come to the wholesalers' go down, select their requirements and pay cash on the spot and take away the goods.

(iv)Drop shipment wholesalers-who do not actually handle the goods in which they deal in but leave the storage and transportation functions for the producers whom they represent to perform. Here, the producer directly dispatches the goods to the retailers, but the bill is forwarded through the wholesaler, who, in turn, claims it from the retailers. Such wholesalers deal in goods which bear high cost of transportation.

(c) Merchant wholesalers.

They are of the following types:

(i) Wholesalers proper:

They are those merchants who deal only in the buying and selling activities and do not engage in manufacturing activities. They buy goods in bulk from the manufacturers and sell them in bulk to retailers. They also maintain their own warehouses for storing the goods.

(ii) Manufacturer wholesalers:

They combine the twin functions of manufacturing and selling and operate as both manufacturers and wholesalers. They usually purchase goods in their crude form, and after processing in their plant, sell them in a refined form to retailers. Their production operations are relatively simple and their main activity is that of selling.

(iii) Mill-supply wholesalers/Industrial Distributors:

Such wholesalers sell a wide range of goods to industrial units, who, in turn, use them for their manufacturing operations. These wholesalers buy goods in bulk quantities from producers/growers and sell them to industrial mills. For example, a wholesaler may purchase raw tobacco from growers and sell them to factories which manufacture cigarettes.

(D) On the basis of their line of product:

(a) General merchandise wholesalers:

Wholesalers who deal in a number of items of general merchandise, ranging from food products to household appliances.

(b) General line wholesalers:

Who offer complete stock in one major line, e.g., stationery goods or may be hardware appliances, etc.

(c) Specialised wholesalers:

Who deal only in specialised goods such as food products c: electrical goods, etc. They help those retailers who wish to buy a wide range of goods of the same line.

Functions of a Wholesaler:

A wholesaler performs the following functions:

(i) Assembling:

A wholesaler buys goods from producers who are scattered far and wide and assembles them in his warehouse for the purpose of the retailers.

(ii) Storage:

After arranging and assembling the products from producers, wholesaler stores them in his warehouse and releases them in proper and required quantities as and when they are required by retailers. Since there is always a time-lag between production and consumption, therefore, the manufactured goods are to be stored carefully till they are demanded by retailers. Thus, a wholesaler performs the storage function in order to save the goods from deterioration and also to make these goods available when they are demanded.

(iii) Transportation:

Wholesalers buy goods in bulk from the producers and transport them to their own godowns. Also, they provide transportation facility to retailers' by transporting the goods from their warehouses to the retailers' shops. Some wholesalers purchase in bulk, therefore, they can avail the economies of freight on bulk purchases.

(iv) Financing:

A wholesaler provides credit facility to retailers who are in need of financial assistance.

(v) Risk-bearing:

A wholesaler bears all the trade risks arising out of the sudden fall in prices of goods or by way of damage/spoilage or destruction of goods in his warehouse. The risk of bad debt as a result of nonpayment by retailers who have purchased on credit, also falls on the wholesalers. Thus a wholesaler bears all the trade and financial risks of the business.

(vi) Grading and Packing:

A wholesaler sorts out the goods according to their quality and then packs them in appropriate containers. Thus, he performs the marketing function of grading and packing also.

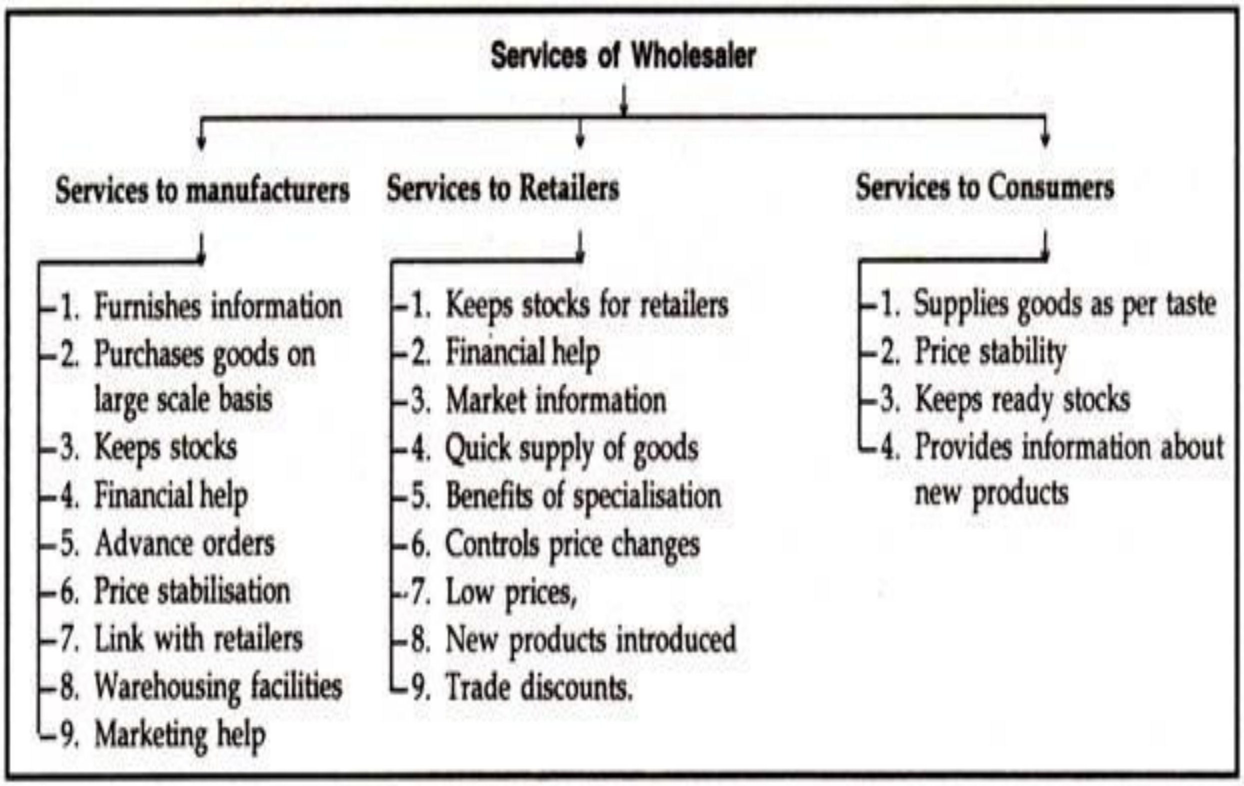
(vii) Providing Marketing Information:

Wholesalers provide valuable market information to retailers and manufacturers. The retailers are informed about the quality and type of goods available in the market for sale, whereas the manufacturers are informed about the changes in tastes and fashions of consumers so that they may produce the goods of the desired level of taste and fashion.

(viii) Facilitating Disbursement and Sale:

Wholesalers sell their goods to retailers who are scattered far and wide. Retailers approach them when their stocks are exhausted from further replenishment. Thus, wholesalers help in the dispersion process of marketing.

Services of Wholesaler:



(A) Services to Manufacturers/Producers:

(i) Wholesaler furnishes information to the manufacturer about consumer behaviour, the changes in the tastes and fashions and also the latest demands of the customers.

(ii) Wholesaler enables a manufacturer to get benefit of economies of large-scale production by manufacturing on a large-scale basis.

(iii) Wholesalers relieve producers from keeping stock since they usually make forward dealings with producers.

(iv) Wholesalers render financial assistance to manufacturers and also provide long-term soft loans to them.

(v) Wholesaler helps manufacturers in maintaining an even place of production by placing advance orders for periods which are usually characterised by slack demand.

(vi) Wholesalers help in price stabilisation since they stock goods in the slack season and S’ 11 them when the demand is high.

(vii) Wholesalers enable the manufacturers to save their capital by not tying it up in stocks. Instead, capital can be utilised for production activities.

(viii) Wholesalers are an important link between the manufacturers and the retailers.

(ix) Wholesalers provide warehousing facilities for goods till they are required by the retailers.

(x) Wholesalers take over the marketing functions from the manufacturers, thereby enabling them to concentrate on production.

(B) Services to Retailers:

(i) Wholesalers relieve retailers from keeping huge stocks with themselves since a retailer can approach a wholesaler for the replenishment of his stocks whenever they are exhausted.

(ii) Wholesalers provide financial assistance to retailers by selling goods to them on credit.

(iii) Wholesalers provide necessary market information to retailers regarding the type, quality and price of goods.

(iv) Wholesalers enable retailers to obtain supplies more quickly than they could by placing orders directly to manufacturers,

(v) Wholesalers provide the benefits of specialization to retailers.

(vi) Wholesalers help retailers to take favorable advantage of price fluctuations.

(vii) Wholesalers enable retailers to share the economies of transport.

(viii) Wholesalers bring to retailers in bulk, but charging less prices.

(ix) Wholesalers bring to the notice of retailers new products through advertisements and travelling salesmen.

(x) Wholesalers give trade discounts on the bulk purchases to retailers.

(C) Services to Consumers:

(i) Wholesalers make available the goods according to consumers’ needs, tastes, fashion and demand.

(ii) Wholesalers maintain stability of price by adjusting demand and supply and factors in the economy.

(iii) Wholesalers make large-scale production of goods possible, thereby keeping the overall price level low.

(iv) Wholesalers have always ready stocks with them and the consumers do not have to wait for the replenishment of stocks.

(v) Wholesalers provide knowledge of new products to consumers.

Meaning and Definition of Retailer

The word retailer has been derived from the French word "Retail" which means to sell in small quantities, rather than in gross. A retailer is people who purchases a variety of goods in small quantities from different wholesalers and sell them to the ultimate consumer. He is the last link in the chain of distribution from the producer to the consumer.

Characteristics

The followings are some of the essential characteristics of a retailer:

- He is regarded as the last link in the chain of distribution.
- He purchases goods in large quantities from the wholesaler and sell in small quantity to the consumer.
- He deals in general products or a variety of merchandise.
- He develops personal contact with the consumer.
- He aims at providing maximum satisfaction to the consumer.
- He has a limited sphere in the market.

Pre-Requisites of Retail Trade:

The success of retail trade is based on a proper combination of the following factors:

(i) Locations:

The ultimate success of a retailer depends on the location of his shop. Proper selection of location is important for a retailer to establish his business.

(ii) Price:

A proper pricing policy can give better results for a retailer if he can combine low prices with good quality to attract consumers.

(iii) Sales Promotion:

A retailer must arrange for proper sales promotion campaigns in order to familiarise the customers of that area with his products.

(iv) Prudent Buying Principles:

Every retailer ought to be a shrewd purchaser; only then he can give his best to his customers. Careful buying earns rich dividends in retail trade.

(v) Knowledge of Merchandise:

Modern business is so complex and the variety and quality of goods being so diverse, a retailer must have adequate and latest knowledge of the wares he sells. It would not only enable him to answer customer queries satisfactorily but also to handle the complications of his business. Thus adequate knowledge of merchandise is another pre-requisite feature of retail trade.

(vi) Services:

A retailer should concentrate on his services. Courteous and prompt service on his part will help him in attracting more and more customers and thereby flourish in his business. Most retailers go in for after sale service also, where they cater to the needs of the customers after the latter has purchased a commodity from them. So efficient service should be the motto of every retailer.

(vii) Efficient Management:

Better planning, organization and control by a retailer can offer efficient retail operations. A retailer should have a proper and adequate work-force to assist him in his business. He should always keep stocks ready for customers and even offer specialized comments on the products he deals in. If a retailer plans his inventories and works in advance, there is no doubt that he will achieve his targets and also attract more customers.

(viii) Display of Goods:

Since a retailer deals in a verity of products, he must display his goods in a proper and orderly manner. This will enable him to get what is required by the customer quickly and also help in attracting customers. The retailer must go in for tastefully decorated interiors and also have proper and attractive window-dressing and display.

The goods must be neatly and orderly stocked and the pattern of window display should be frequently changed for the better, so as to attract the customers' eye. A retailer must not forget that a well laid out window display will help him to entice and attract customers from his rivals and competitors. Hence, proper care and attention ought to be given for display of goods out as well as in the retailer's shop or showroom.

Types of Retailers:

Retailers are mainly classified into Itinerant Retailers and Fixed Retailers. Itinerant retailers comparison of Hawkers, Pedlars, Cheap jacks. Market traders and Street traders. The Fixed Retailers are further classified into Small-scale and Large-scale retailers.

Small scale retailers constitute of second-hand goods dealers, street stall-holders. General shops, Special shops and united stores. The Large-scale retailers constitute the Departmental stores. Mail-Order Houses, Co-operative Stores, Multiple Shops, Chain Stores, Hire Purchase Shops, Super Markets and Fixed-price Shops.

Itinerant Retailers:

Included under this heading are those retailers who do not possess any shop of their own and who move from place to place to sell their wares.

Common characteristic features of Itinerant Retailers are:

(i) They do not have fixed shops of their own.

(ii) They carry very little stock either on their heads or on bicycles or on hand-carts.

(iii) Their capital investment is very small.

(iv) They do not stick to a particular line of business throughout the year.

(v) They move from place to place in order to sell their wares.

(vi) They do not have fixed hours of work or even fixed days of work.

(vii) They operate at the minimum cost.

(viii) They provide door-to-door service moving about in residential localities and selling their wares.

They are travelling or wandering sellers and include the following types: (a) Hawkers:

They are itinerant traders who move about in residential localities with their wares usually on bicycles or hand-carts. They usually deal in consumer goods of a cheap nature. Their range of merchandise varies from vegetables, fruits to toys, bangles, plastic utensils etc.

(b) Pedlars:

They carry their wares on their heads or on their back and move from one house to the other in the residential localities of a city. They also deal in cheap goods and usually cater to the needs of the low- income gentry.

(c) Cheap Jack:

They do not stay long at one place of business but differ from pedlars and hawkers in the sense that while the latter do not have shops of their own, cheap jacks do hire small ships in residential localities to display their wares. They shift from locality to locality according to the prospects of getting business.

(d) Market traders:

They are a type of small-scale sole-proprietors who hold stalls at different places in different localities on fixed days known as “market days” which may be once a week. They deal in a variety of cheap goods which are of consumers interests and which are needed in every household daily.

Toys, cheap cosmetics, cheap readymade garments for kids, imitation jewellery, sewing and knitting material, etc. are a few examples of the items which they usually stock. Market traders are temporary in nature, in the sense that they do not permanently establish their stalls in particular place, rather they move from one market place to another.

(e) Street Traders:

They are “pavement retailers” who display and sell their products from pavements/ footpaths. They are usually seen in crowded cities and handle light goods.

(f) One-price Shop:

It is a typical retail trading where the distinctive feature is the sale at uniform price of low-priced articles of large variety which are in continuous demand e.g., pens, toys, handkerchiefs, socks, etc.

Small Independent Retailers:

(i) Street stall-holders:

Such retailers operate on a small-scale from small shops erected in busy market places. They buy goods in bulk from wholesalers and also from local sellers, and resell them to customers. Their field of operations is very small and limited. They are usually sole traders and deal in goods needed by customers in their day-to-day use.

(ii) Second-hand goods dealers:

They deal in used second-hand goods like books, garments (readymade), utensils etc. They get their supplies from private or public auctions and even from private households. Such retailers usually cater to the needs of poor people who cannot afford to buy new articles.

(iii) General shops:

Such retailers also known as General Merchants and deal in a variety of merchandise. They have established shops in the market place and stock goods ranging from food products to daily house needed articles. They are managed by owners and often employ counter-salesmen to assist them in their selling activities. They even sell on credit to established and old customers and also provide free-home delivery facility.

(iv) Specialty Shops:

They are retailers who deal only in one line of goods, e.g., books, drugs, shoes, etc. They operate from established shops by owners themselves, and since they deal in a particular line of product only, the retailers often possess sufficient specialised knowledge about the product.

Service of a Retailer

A retailer provides a number of services to the customer and to the wholesaler.

To Customers:

- He provides ready stock of goods and as such he sells and quantity of goods desired by the customers.
- He keeps a large variety of goods produced by different producers and thereby ensures a wide variety of choice to the customers.
- He relives the consumers of maintaining large quantity of goods for future period because he himself holds large stock of goods.
- He develops personal relationship with the customers by giving them credit.
- He provides free-home delivery service to the customers.
- He informs the new product to the customers.
- He makes arrangement for replacement of goods when he receive complaints.

To Wholesaler:

- He gives valuable market information with regard to taste, fashion and demand for the goods to the wholesaler.
- The retailer maintains direct contact with the customers and so he relieves the wholesaler with regard to maintenance of direct contact.
- He helps the wholesaler in getting their goods distributed to the consumer.
- He is regarded as an important link between the wholesaler and the consumer.
- He creates demand for the products by displaying the goods to the consumers.

Functions of Retailer in the Distribution Channel:

1. **Providing Assortments:** Manufacturers generally specialize in producing specific types of products: For example, Cadbury's makes chocolates, Kraft makes dairy products, Kellogg makes breakfast cereals, and Everest makes spices. If such manufacturers decided to have their own stores selling only their own products, consumers would have to go to many different stores to make purchases for their requirements. Retailers collect a variety of products and services from a number of sources and then offer these as an assortment to their customers, Offering an assortment enables their customers to choose from a wide selection of brands, designs, sizes, colors, and prices in one location.

2. **Breaking Bulk:** Breaking bulk is beneficial to both manufactures and consumers. Manufacturers prefer to ship products in bulk quantity cartons in order to reduce transportation costs as it is more cost effective for manufacturers to package and ship merchandise in larger, rather than smaller quantities. Consumers, in turn, prefer to purchase merchandise in smaller, more manageable quantities. Retailers purchase the products in larger quantities from manufacturers and then offer the products in smaller quantities to the consumers as per their requirements. This is called breaking bulk.

3. **Holding Inventory:** Holding inventory is a major function of retailers in order to keep inventory that has been broken down from their bulk packaging into user-friendly sizes so that products can be mad availa1ble in smaller quantities whenever consumers want them. This will enable consumers to conveniently maintain a small inventory products at home since they are aware that the retailers will always maintain an inventory of the products they need at the store and make the products available when they need more. This reduces the consumer's cost of storing products. Consumers find this beneficial since they have limited storage space especially for perishable merchandise like dairy and frozen products.

4. **Providing Convenient Locations and Timings:** Retailers select the locations of their stores and keep them open for longer timings so that they are conveniently located and available to their customers for fulfilling their requirements of goods and services as soon as they require them

Providing Services: Retailers provide services in order to make it easier for consumers to buy and use products: This could be in the form of providing credit to consumers so that they can use a product now and pay for it later. This could also involve services like providing the space required for displaying products so that consumers can see the variety and feel and test them before buying. Retailers may also provide additional information about the characteristics and availability of products to customers through salespeople who are available to answer questions. With multi-channel retailing, retailers offer the flexibility of multiple retail formats like retail stores, web sites, mail-order catalogs, and a toll-free number. This provides convenience and enables customers to buy anytime during the day or night. Customers can also choose to pick merchandise up at a store at their convenience or have it home-delivered.

6. **Recording and Providing Feedback:** Retailers record transactions and feedback from customers which they11inform back to wholesalers and manufacturers in the form of sales forecasts, delivery delays, defective items, customer complaints, inventory turnover, and other information. This retailer feedback enables the wholesalers and manufacturers to modify goods and services in order to better satisfy customers and in the process increase their sales.

7. **Increasing the Value of Products and Services:** Retailers provide assortments, break bulk, hold inventory, offer convenient locations and timings, provide services, and record and provide feedback, thus increasing the value provided to consumers from products and services.

In general, retailers serve the following functions:

- Anticipate and fulfill consumer needs and wants at competitive prices
- Provide assortments by stocking large quantities of different items manufactured by various companies.
- Break bulk in order to offer smaller quantities tailored to individual customer needs.
- Hold inventory which can be made available to consumers when they want them; thus, customers do not have to hoard products since these are easily available.
- Provide formation regarding the product and services to the customer.

Questions

1. Define channels of distribution
2. What are the marketing intermediaries
3. Explain the functions of middlemen
4. Explain the wholesaler