

MARKETING FUNDAMENTALS

SEM - IV

UNIT-I

MARKETING MANAGEMENT

Meaning of Marketing Management:

Marketing management is the process of developing strategies and planning for products or service, advertising, promotions, sales to reach desire customers segment.

Importance of Marketing:

Planning:- The grass root level of any business organization is planning. Planning requires that marketing managers must be aware of environmental conditions facing their organization and forecast future conditions.

Organizing:- An organizing function of management develop an organizational structure and allocate human resources to execute the different marketing activities viz. purchase, sell, assemble, storage, transportation, packing price, etc. of an organization.

Staffing for marketing activities:- To achieve success in the market plan of an organization, the appointment of right and able employees are made to do different marketing activities.

Directing for marketing activities:- Under this function, the marketing manager gives proper guidance to person working on different post so that they discharge their duties efficiently.

Controlling for marketing activities:- Controlling ensures that performance does not deviate from standards. Under this functions, the marketing managers establishes performance standards, compare actual performance against standards and takes correctives actions when necessary.

Marketing Concept:-

1. Marketing concept concentrates on consumer requirements and their satisfaction.
2. Marketing concept lays emphasis on integrated marketing.
3. Under marketing concept, the emphasis is on selling satisfaction not merely on setting a product.

Meaning of Marketing Concept: It is a philosophy, an attitude or a course of business thinking while marketing is a process or a course of business action. Naturally, it was the thinking that determines the course of action..Hence, marketing concept differ from marketing.

Definitions of Marketing Concept: Philip Kotler in his book," Marketing concept is customer oriented backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goal

1. Ist Stage: Production –Orientation Philosophy (1900 to 1930):

The origin place of marketing concept was the American Economy. That is why the development of marketing concept is studied on the experience of American economy. Till 1930's USA was facing shortage of production. The general philosophy of business was, " produce as much as you can, because there is a limitless market". Production was the main problem and not the selling. So, marketing was of little importance to the American's. American businessman had therefore, emphasized more on increasing the production. Producers were buy , find and implement the means which increases production. This is the reason that this stage is called as production-oriented stage. The assumptions of this philosophy were:

- a) Anything that can be produced can be sold.
- b) The important task of management is to keep the cost of production down.
- c) A firm should produce only certain basic products.

2. IInd Stage: Sales- Orientation Philosophy (1930 to 1950):

American economy progressed in the field of production during that period. Bumper production of goods creates a new problem, that is, how to sell the output. This stage lies

between the Great Depression and the end of World war II. In this stage the main problem was not the production, but how to sell it. Therefore, the focus of businessmen was diverted towards sales that is why this stage is called sales-orientation stage.

During this stage, American realized that a product could not be sold itself. It has to be pushed and customers have to be manipulated, through sales promotion activities. As a result personal selling, advertising and other sales promotion activities were included in marketing functions. The essence of sales orientation philosophy is “Goods are not purchased but sold”.

The main assumption of this philosophy are :

- a) Production of good quality product.
- b) Finding the buyer of the product
- c) Management task is to convince the buyers through high pressure tactics.

3. Illrd Stage: Customer Orientation Philosophy:

The American industrialists have to face strict competition at that time. To increase the sales to the extent the production could adjust was like a challenge for the marketing institutions.

Development of Marketing Concept

Ist Stage (From 1900 to 1930) Production oriented

IInd Stage (From 1930 to 1950) Sales Oriented

IIIrd Stage (From 1950 to 1990) Customer oriented

IVth Stage (From 1990 to update Social) Oriented

And marketing concept took a serious turn and become customer oriented. The customer needs are systematically determined and then integrated operations are undertaken to produce the goods that satisfy this wants. It emphasizes the role of marketing research well before the product is made available in the market place. **The main assumptions of this philosophy are:**

- a) The firm should produce only those products which are desired by the customers.

b) The management is to integrate all its activities in order to develop programs to satisfy consumer wants.

c) The management is to be guided by long range profit rather than quick sales. Consumer is treated as a king of the market.

4. IVth Stage: Orientation Philosophy (1990 to update):

There has been a further refinement in the marketing concept particularly during 1980s to 1990s. the new concept of marketing is concerned with understanding the consumer needs and matching the product accordingly. This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. Thus, a firm manufacturing an automobile not only fuel efficient but also less pollution one. The assumptions of social orientation philosophy are:

a) The firm is to produce only those products as are desired by the consumers.

b) The firm is to be guided by long term profit objective rather than quick sales.

c) The firm should discharge its social responsibilities.

d) The management is to integrate the firms resources and activities to develop programme to meet the individual and social needs.

Various views regarding Marketing Concept:

Marketing has been defines by different people in different ways. Different views expressed by different authorities about marketing are studied as different concepts of marketing. Some important concept are as follows:

1. Production Concept: This is the oldest concept. Under this concept, producers believe that if the product is good and reasonably priced, it will be quite popular even if no special marketing efforts are made. This marketing philosophy prevails till 1930s. this concept holds that high production efficiency and wide distribution coverage would sell the product offered to the market.

2. Product Concept: Under this concept producers believe that by making superior products and improving their quality over time, they will be able to attract more

customers. The underlying assumption is that customer favours quality, performance, innovative features etc. Superior products are always welcomed by the customers.

3. Selling Concept: The selling concept assumes that the customers will not normally buy a product unless they are approached and convinced through intensive sales promotion, advertising and salesmanship efforts. The assumption is that customer, if left alone, would not buy enough of the company product. This type of customer's attitude is mostly found for unsought goods like sale of books, magazines, insurance policies and also in auto sales. Here hard sell takes place. Even the best product cannot have assured sales without the help of sales promotion and aggressive salesmanship. Such a marketing concept points out that goods are not bought but they are sold with the help of high pressure salesmanship. Aggressive advertising and intensive sales promotion. This concept made the attitude of the marketers as customer oriented. But sometime this concept also exhibits marketing myopia.

4. Distribution of Goods and Services concept: It is a traditional concept of marketing. This concept considers marketing as an economic activity that facilitates the flow of goods and services from producer to consumer. According to the American Marketing Association, "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

According to this view, marketing begins when the production process is completed and ends when goods are sold. It has no concern with the pre-production activities and after-sales activities. The firm producing under this concept is more concerned with maximizing their profit by maximum sales.

This view represents a narrow view of marketing that insists much on the flow of goods and services and leaves the other important managerial aspects of marketing untouched.

5. Creation of utility concept: According to Richard Buskirk, "Marketing is an integrated

system of action that creates value in goods through the creation of form, place time and ownership utility." It means that utilities are of 4 types : Form utility, Time utility, Place utility, Possession utility. For example:

- a) Product planning and development create utility.
- b) Transportation and distribution channels create place utility.
- c) Storage and warehousing create time utility
- d) Salesmanship, advertising and publicity creates possession utility by the transfer of possession of goods to the person who need it. Hence, under this concept marketing creates different types of utilities in goods and make them valuable.

The drawback of this concept is that it considers only one aspect of marketing and ignores all other functions of marketing. It also pays no attention to consumer satisfaction and welfare. Due to these reasons, this concept is treated as old concept.

6. Delivery of Standard of Living Concept: This concept was originated by Paul Mazur. According to him, "Marketing is the delivery of standard living." Prof. McNair made an important amendment in this definition. According to him," Marketing is the creation and delivery of standard of living to the society." It is consumer oriented concept. Producer tries to know the customers need and plan his production accordingly. Aggressive marketing technique are used to encourage the society to purchase new products. The availability of goods also increased. It is because of this concept that nowadays we are able to consume more quality products.

7. Societal Marketing Concept: It is a broad end marketing concept. This concept concentrates on producing goods and services which are beneficial to the society.

According to Philip Kotler," Societal marketing concept for a customer orientation backed by integrated marketing aimed at attaining long run profitable volume." This concept is based on the following assumptions:

- a) The mission of an organization is to create satisfied customers
- b) The organization will offer only those products to the customers which are beneficial both to the customers and the society.
- c) The organization shall offer long run consumer and public welfare.
- d) Marketing plans and programmes shall duly consider consumer wants, consumer interests, social welfare and corporate needs. The marketing process is regarded as a means by which society meets its consumption needs. The marketing process is regarded as a means by which society meets its consumption needs. Here, the firm realizes its social responsibilities.

8. Customer Satisfaction Concept: This is also called as “Marketing Concept”. The marketing concept emphasizes the determination of the requirements of potential customers and supplying products to satisfy their requirements. Customer satisfaction concept points out that the primary task of every business enterprise is to study the needs, desires and values of the potential customers, and on the basis of the latest and accurate knowledge of market demand, the firm must produce and offer the products which will give the desired satisfaction and services to the customers. The essence of this concept is that all marketing plan, policies and programmes should be formulated to provide maximum satisfaction to customers. From the view, it appears that everything a firm does to satisfy needs and increase the welfare of customers is marketing.

Old Concept of marketing: It was a traditional view regarding marketing activities. This concept of marketing was popular when business was done on small scale and there was little or no competition. The old concept of marketing referred to a system where more and more emphasis was laid on the production of commodities. It was based on the idea that consumer would buy what the seller produces. According to old concept, marketing consists of merely buying and selling activities that effect the transfer the ownership of goods and services.

According to Pyle,” Marketing comprises both buying and selling activities.”

Characteristics of Old concept of Marketing: From the above explanation and definition, we can draw the following characteristics of old concept of marketing:

1. It consists of only production, buying and selling activities.
2. It is production-oriented concept i.e. it focuses attention only on production, ignoring consumer's interests and tastes.
3. It aims at earning maximum profits.
4. It does not provide after sales services.
5. It does not give importance to consumer satisfaction.

Thus it is clear that old concept is based in the strong feeling that whatever is produced can be sold without much need for special marketing efforts. It emphasizes that management should aim at cost and maximizing the profits.

Criticism of Old Concept of marketing: The old concept does not consider consumer as supreme. It pays no attention to the likings, needs and nature of consumer, rather it tries to sell the products produced. This concept was criticized on the following basis:

1. It is a production- oriented concept.
2. It focuses only on production, buying and selling activities and ignores other activities of marketing.
3. It ignores after sales services.
4. It ignores consumer research.
5. Consumer satisfaction and social responsibility have no place in the concept.

To conclude, it can be mentioned that such a very little scope in modern business world, which is full of competition and wherein every seller is trying to provide various varieties of the same product, in order to satisfy every class of consumer. Thus, we may conclude that it is a narrow concept.

New concept of marketing:

Definition of new concept of marketing: Modern authors view that marketing is more than a

physical process of distributing goods and services. They feel that marketing represents a distinct philosophy of business that has emerged over the recent years. The marketers following the philosophy recognize and accept customer oriented way of doing the business. Different authors have given their definitions on new/modern concept of marketing.

Producer Product Selling Profit through increased sales online Target Market Customer Needs Co ordinate Marketing Profit through customers satisfaction.

According to Philip Kotler;” The marketing concept is a customer oriented backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational; goals.”

Characteristics of new Concept of Marketing:

The following assumptions or characteristics of new concept of marketing can be pointed out:

1. New marketing concept converts business organization into marketing organization.
2. It recognizes the consumer’s supremacy. Creation of satisfied customers is the main aim of marketing.
3. New marketing concept stresses upon integrated marketing and providing the marketing executive with the supreme position in the organization.
4. It creates and delivers the standard of living to the society.
5. New marketing concept assumes that consumer is the king or sovereign of the market. It is the central theme of all marketing activities.
6. It aims at earning profit only by satisfying customers.
7. New marketing concept holds that organizations capable of providing customers with satisfaction become popular in public as a whole.
8. The organizations adopting new concept of marketing, very first trace the existing and future necessities of the consumers through market research then production is made to suit their needs, then demand is created and then physical distributions take place. After sales service are also provided to make the consumers satisfied.

Thus, we see that new/modern marketing concept integrates various functions to determine the needs and wants of the consumers and to provide the desired satisfaction effectively and efficiently. It realizes that business is a marketing organization where all activities are directed towards the satisfaction of human wants and increase in social welfare.

Fundamental Pillars of New marketing concept:

Marketing concept has the following four fundamental pillars or main components of new marketing concept:

New Marketing Concept

Customer Orientation

Integrated Marketing

Customer Satisfaction

Consumer welfare

1.Customer Orientation:

Modern concept of marketing replaces 'Product' by 'Customer' as the centre of marketing activities. New concept consider customer as king. The customer orientation has been expressed by Charles G Mortimer in the following words," Look at the company through the customer's eye. The customer is at the top of the organization chart. We are not the boss; the customer is. What is the consumer wants, the consumer gets.

The first pillar of the new marketing concept is the customer. **According to Philip Kotler** , for effective consumer orientation, the firm is to decide:

- a) The basic needs of its customers, it can satisfy.
- b) The market segment, it can serve better taking into account its limited resources.
- c) The colour, type, size, design, varieties etc of the product are made according to demand and necessity of the customers.
- d) Consumer research is undertaken on a wide scale by the firm.

According to Philip kotler," Customer-orientation means production according to need and want

of the customer, and not according to what we can sell.

The concept of consumer orientation also assumes that :

a) Consumer is the king of market and the producer depends upon consumers.

Consumer does not depend upon producers.

b) Producer produces only those product which are according to needs, tastes and liking of customers.

c) Producer should produce new products which may attract the customers.

Hence, the customer-orientation approach helps in tapping the new prospect of production.

2.Integrated Marketing: The second pillar of modern marketing concept is integrated marketing. Firstly, integrated marketing demands that there must be internal consistency within the marketing departments. All the marketing organs must strive to focus on customer. Their activities must be customer driven.

3.Customer Satisfaction: The Third pillar of modern marketing is the customer satisfaction.

The main aim of every business concern is to earn and maximize its profits. This concept is based on the assumption that if customers are satisfied with company's product, the demand of company's product will go up and it will result in increase in sales and profits.

4.Consumer welfare: The fourth pillar of modern marketing is the consumer welfare. It is of recent origin. According to this concept, only the satisfaction of consumer is not sufficient, our ultimate aim is the consumer welfare. The reason behind this concept is that in the modern age it is not possible to keep marketing separate from social welfare. Therefore, companies should decide the marketing activities with keeping the social welfare in mind.

Significance of New Concept of marketing:

The adoption of new marketing concept is beneficial for the business firm in following ways:

1. Helpful in product development: Modern concept assumes consumer as a king of the market. Thus, the producer through its intensive market research try to identify the needs,

wants and behavior of the consumers and thus helps in discover and development of new products.

2.More social satisfaction: Under this concept only standard quality goods are produced and are provided to the customers at reasonable price which can easily be afforded by the consumers in sufficient quantity required by them, through the channel which is most suited to them and at the place and time of their choice. With the creation and delivery of standard of living, social satisfaction increases.

3.Positive impact on profitability: The customer- oriented and co-ordinate approach to marketing the positive impact on the profitability of the firm. It emphasized on earning profit through customer satisfaction.

4.Interaction with customers: Modern marketing concept has both strategic and philosophical values. It assists the management in directing organizational efforts towards the long term goals prolonged interaction with customers also become possible.

5.Overall Improvement: One of the important principal of modern marketing concept is co-ordinated and integrated marketing. The integrated marketing effects are helpful in bringing overall improvement in marketing operations.

6.Useful in competitive market: Attention towards customers needs is helpful for the management in spotting new products opportunities more quickly. In a competitive market where existing products and brands are under constant attack by the competitors, the development of new products is must. The best source of new product idea is unsatisfied needs of the company's customers.

7.Complete evaluation: Modern marketing concept leads to follow on integrated and co-ordinated approach to marketing. By concentrating on consumer's wants, management can evaluate contributions made by the different departments of the firm in a better way.

8.Growth of the firm: Marketing concept has strategic implication as it allow the business firm to direct its activities towards the broader and long range objectives like sustained interaction

with the customers, and stability and growth of the firm satisfaction.

Market Research

There is no scope for Market Research Market research is given top priority

Sovereignty It assumes Sovereignty of products It assumes Sovereignty of products

Principle It observe principle of 'seller awareness' It observe principle of 'buyer awareness'

Factors affecting adoption of New marketing concept:

1. Technical Progress: Modern is the age of high technology. Most of the goods are produced at large scale with the help of automatic and computerized plant and machinery. Now it become possible to change the level of output to its minimum as well as to maximum, without much change in cost of production. This help marketeers to adopt the new marketing concept.

2. Changed Market: Nowadays , market conditions are rapidly changing. Increase in population, income, savings changed the market conditions, which strengthen the adoption of marketing concept by most of the companies.

3. Changed distribution channel: The distribution channel are changing rapidly in the modern age. Traditionally there are 2 types of middlemem: wholesaler and Retailers. But nowadays, we find several types of middlemen: and new ways of distribution such as Selling agents, forwarding agents, Receiving agents Covesting agents, sales agents, sales representatives, area distributors, Consignees, Franchisers, Tele brand shopping, Sky shops, Network marketing etc, which provides new opportunities to the marketers to expand their market areas.

4. Developed means of communication: The developed means of communication like Telephone, Mobile, Internet, FAX, Teleprinter, etc reduces the distance between producer and consumer. These developed means of communication strengthen the adoption of marketing concept.

5. Organised consumers: Consumer protection movement in the present era has organized the consumers and awoken them for asserting their rights. This has resulted in a special drive of producers to prefer a customer-oriented concept of marketing.

6. Positive management support: Now a days most of the entrepreneurs are more interested in participating or deciding the marketing activities. This also helps in adoption of marketing concept.

Limitations of Marketing concept:

1. Incomplete customer research: It is the main limitation of marketing concept.

Consumer research does not often provide satisfactory answers for consumer in evaluating their present and future needs.

2. Internal dissensions: In many cases, executives are unwilling to adopt the marketing concept. Managers with financial, production or engineering background often see the marketing concept as a threat to their influence within the organization.

3. Organisational constraints: All needs of customers can not be satisfied by a company. It produces only those products for which it has sufficient human and technical resources and skill. There are many cases when companies product needs modifications. But company is not able to modify the product because of lack of competency and heavy cost.

4. Social constraints: It relates to certain restriction on the production and consumption of some products. Which are harmful for the health of individual or subject to habit forming. It also prohibits the satisfaction of certain wants.

5. Conflicting objectives: Marketing objectives and profit guidelines are often not consistent with the consumer orientation or integration of functions of marketing concept. Companies place more emphasis on stability and avoidance of risk, which may limit their willingness to adopt a strong consumer orientation.

Marketing Environment:-

“The business environment is a marketing term and refers to factors and forces that affect a firm’s ability to build and maintain successful customer relationships.

- Micro- Environment
- Macro- Environment
- Environmental scanning
- Reference
- External links

Marketing Segmentation:-

Market Segmentation: Reasons for the development of market Segmentation; Requirement for an effective segmentation method of market segmentation ; basis of market segmentation ; Market Segmentation and adopted marketing strategies; Product Differentiation and market segmentation ; some example of market segmentation.

Targeting & Positioning:-

In Marketing , segmentation, targeting and positioning (STP) is a broad framework that summarizes and simplifies the process of market segmentation. Market segmentation is a process, in which groups of buyers with in market are divided and profiled according to a range of variables, which determine the market characteristics and tendencies.

- Segmentation comprise identifying the market to be segmented; identification, selection, and application of bases to be used in that segmentation; and development of profiles.
- Targeting is the process of identifying the most attractive segment from the segmentation stage , usually the ones cost profitable for the business.

- The process- data model
- Segmentation
- Market segmentation

- Targeting
- Positioning
- B2C and B2B
- See also
- References
- External links

Marketing Mix:

- **To increase in profit:-** Marketing mix helps to increase in sale the customers get the product choice which helps marketing to each maximum profit with customer satisfaction.
- **To develop new product:-** with the help of marketing mix the seller is able to know about the requirement of different types of customers.
- **To help in taking decision:-** Marketing mix is a combination of different decision belated with (1) product (2) price (3) place . this decision are interrelated because decision in one area effect action in other.
- **To face the competition:-** Marketing mix create the competitive strength. It help in formulating proper marketing strategy to win the competition.
- **To improve the knowledge of customer:-** Promotion is one of important element of marketing provides information to customer.

Objective of Pricing:

- 1. To meet the competition:-** The important objective is maintain the competitive parties pricing should aim at preventing or at least neutralizing competitors tactics effectively.
- 2. To maximize profit:-** Pricing is also use as an instrument to maximize profit of a firm in the long term loan. Yet pricing theories lay emphasis on this objective.
- 3. To manage cash flow:-** Pricing policy intent to expedite cash flow which is essential for

the successful financial management.

4. To mobilize resources:- Product line pricing may be aim at charging high price in some of its product to generate funds for nature expansion or purpose.

5. To survive during crisis:- During recession and slump the pricing objective is to minimize losses the price may be fall below total cost but below variable cost of product.

6. To attain price leadership:- Price leader is a firm whose price structure is adopted by the other firm in a industry. Its dominate other firms.

Factor influencing price determination:

Internal factors:

1. To maximize profit ability.
2. To capture the desire share in the market.
3. To skim the market.
4. To avoid government intervention.
5. To support sale of company other product line.
6. To retain dealer patronage.

External factors:

1. To increase product demand.
2. To increase market competition.
3. Competitor strategy and reaction.
4. Help in economic situation.
5. Government regulations.
6. Moral consideration.

Characteristics or Nature of advertisement:

1. Mass communication:- The relation of advertising is with such a communication which is made not with a person but a no. of persons.

2. Speedy communication:- speedy communication is of rapid speed and its accesses to

thousands of people at a time.

3. Commercial communication:- Commercial activities through advertisement is made with an objective to increase the profit of an institution by enhancement of the sale a product or services.

4. Provide valuable information:- Advertisement provide valuable information to the customers. Information regarding the characteristics of a product and information regarding the manner of use etc.

5. Persuasive:- An advertisement inspires the customers for purchase a product. If any advertisement is not of this nature, It is not advertisement but only misuse of money.

Disadvantage of advertisement:

1. Increase cost of good:- The management against the advertising is responsible for increasing the cost of production. Which in term become the causes of rising price.

2. To monopoly arguments:- Advertising usually lays emphasis on brands. More over all could advertising so no monopoly effect hence the monopoly arguments has no basic at all.

3. Misleading the facts:- Most of the advertisement contain tell claims in their product Simply to tempt people to purchase the same.

4. Waste of national resources:- A more serious objection against advertising is that it destroy the utility of goods before it become useless due to change in fashion improve technology.

5. Consumer deficit:- People with less purchasing power cannot afford to buy articles though the advertisement create a strong desire to purchase the product.

Types of advertising media:

1) Indoor

a) News paper

b) Magazines

c) Radio

d) TV

e) Film

2) Outdoor

a) Posters

b) Hoarding

c) Travel display

d) Skywriting

e) Sandwichment

3) Direct

a) Sales letter

b) Circular letter

c) Novelties

d) Handbills

4) Display

a) Point of purchase

b) Window display

c) Showroom

d) Fairs and Exhibitions

UNIT-II

Product concept and classification

Introduction

The activities of marketing or the marketing efforts are hovering around its marketing offer maybe products or services. There is no meaning in producing the goods or products or rendering

services which do not fit into the eye, brain and heart of the consumers. A satisfactory product is the starting point of smooth sailing in marketing.

Concept of Product

A satisfactory product is Central to the marketing operations in any organization. The product of an organization is an item of its output which is usually offered for sale. Though products are tangible in case of manufacturing units, they can be intangible in case of service industries. Thus, an insurance plan of an insurance company is a product which is a service. Product is viewed by different people in different ways. To the consumer, it is the bundle of perceived benefits that meets his or her needs; to the manufacturers, it is the bundle of attributes that ideally meets consumer needs; to the production manager, it is the task or food for thinking as he spends whole time on thinking about the product; to the advertising agency, it is communication challenge; to the finance manager, it is a source of finance and so on. Product implies not only physical attributes as most people think, but includes the services both before and after sale and prestige that go long way in increasing the consumer satisfaction. Product is a bundle of physical, service and symbolic particulars expected to yield satisfaction or benefits to the buyers.

According to Professor Harry L. Hanson, “the product is the sum total of three things -

The intrinsic characteristics its materials and construction, its ability to perform - The extrinsic characteristics of packaging, brand or trademark and the intangible associated with it”.

Product characteristics

Anything to be called as a product, has certain characteristics- both explicit and implicit.

To have a clear understanding of the product concept, it is but essential to study these characteristics. Following are the important features of product :

A. Explicit Characteristics

Explicit product characteristics are those the perception of which is reasonably uniform among the observers. That is there is a common agreement as to both the existence and other nature of

these attributes. There are five such attributes :

1. Physical configuration : Most obviously, product is a bundle of physical stuff. It is made up of certain materials- wood, plastic, glass, stone, metal, etc., related in a particular way. Every product has its own shape, size, density, taste, texture, color, weight and host of other such physical attributes.

2. Associated services : Products are sold with the common understanding that the seller will render associated services in case of each product. These are before and after sale services. Before sale services are its demonstration, credit facilities available and the after sale services are its delivery, installation, making available spare parts, repair services to maintain the operating condition of the product and warranty expressed or implied.

3. Package and brand name : It is useful to consider package as the part of product, because, it is sometimes difficult to separate a product into 'contents' and 'package'. For instance, aerosol shaving creams, deodorants, cleansers, photograph record because, the jacket depicted the artist and his friend (female) in the nude, enjoy A Remarkable demand. Further, brand or brand name is the intrinsic to product.

4. Product mix : This points out the relationship to other products sold by the firm or made and sold by the form. That is, a given product is the part of a set of products offered for sale by a particular seller bears and how both the seller and the buyer consider it. A seller considers the width, depth and consistency of products offered. 'Width' refers to how many different product lines, 'depth' stands for the average number of items within each product line and the 'consistency' means the similarity among the product lines.

5. Product life cycle : At any point time, a product can be located in some stage of its existence. Through time, the industry sales for a given product follow a characteristic pattern of increasing at first slowly, then at increasing rate, then at decreasing rate and finally absolute sales begin to decline. The time required for each of the stage varies widely among the products.

B. Implicit Characteristics

As noted earlier, the explicit product characteristics are seller oriented as define the parameters. When one considers the product from the viewpoint of consumer, these are not explicit. Each person sees the product in somewhat different and, therefore, unique way. What is the perception of one man is not the same in case of another. His disagreement is the point. These disagreeing points can be called as implicit product characteristics. There are 4 such features :

1. Product symbolism : Product is the cluster of symbols. Among other things a product is a symbol by virtue of its form size color and functions. It is and it has significance which varies according to how much it is associated with individual needs and social interaction.

2. Communication media : Because a product is the cluster of symbols, it is a bundle of communication also. Of course, what this information is, determined by the consumer's personal interpretation of the symbols, mediated by his culture group and group influences and personality.

3. Product perception : How products are perceived by consumers is not easy itself. Perception is really critical to a product's market viability and perceptual process is central to the meanings consumers attached to a given product. Perception is the psycho-physiological process. Composing of a sequence of becoming aware of some cue in the environment, sending sensed message to brain that does the work of comparing cue where the Stored meaning. For instance, when a cup of tea is placed before you, you have a cue say of taste -color or texture. The senses send message to your friend to compare the sensed cue with stored once; comparison gives you an answer say, it is 'Brooke Bond' or 'Lipton' or 'Tata' and so on.

4. Product evaluation : Truly speaking, it is impossible to separate the perception of product from its evaluation, both conceptually and operationally. Though, theoretically

separable, they occur simultaneously. Along with the perception, evaluation implies the invocation of a set of criteria to determine expected satisfaction. It comprises the efforts involved and rewards received by the consumer.

PRODUCT CLASSIFICATION

The commodity approach to the study of marketing gives the two possible broad classification of products namely- traditional and the modern.

A. Traditional Product Classification

The traditional classification has three alternative as :

1. Consumer and Industrial Products.
2. Durable and nondurable products.
3. Convenience, shopping and specialty goods.

1. Consumer and Industrial Products : Consumer products are those which meant for a consumption our final use of consumers or households. These are the products which are used without further commercial processing. In other words, consumer goods are meant for personal and non business use. On the other hand, industrial goods are those which are used by Business bhैया as inputs for further commercial processing. Thus, shampoo, biscuits, watches, two wheelers are consumer goods while, raw materials, spare parts, supplies and equipment or machinery are industrial products.

2. Durable and Non-Durable Products : Both the consumer and industrial products can be further classified as durable and nondurable products. Durable products are those tangible products that last longer or they do not get exhausted even after repeated use. For instance, the chair on we sit, the cars we drive, the refrigerators we use, the utensils we have in kitchen do not get exhausted overnight. On the other hand, non durable products are those which get exhausted with a single or few uses. For instance, food items we eat, the soft drinks we drink, the soaps, pastes, paper we use are of this kind in this area.

3. Convenience, Shopping and Specialty Products : convenience goods are those

products which are bought with the minimum of efforts, at short notice and from convenient location. These products have the features such as, purchase at convenient location, full knowledge of product, enjoy continuous and regular demand, small lot purchases, highly standardized, keen competition among producers and are perishable in nature.

Shopping goods are those where consumers devote considerable time in making selection of those before they buy. The consumers want to compare a quality, price and style in several shops before they buy. The basic feature of these products are- they are durable, higher unit price, comparison in selection, pre planned purchase, distance of exclusive stores. Examples of this kind are- office and household furniture, automobiles, automobiles audio and audiovisual sets, refrigerator, sewing machines, jewelries, millinery products and the like.

Specialty goods are those which enjoy certain special features and special by efforts are made in their purchase. Did products have unique characteristics and brand identification calling for special efforts. The special features are, full knowledge of products, bias on a particular brand, limited demand, high unit price. The examples of this type are- wrist watches, wall clocks, transistors, radio sets, cameras, two in and three in ones, cars, shoes, goggles, cloth, ties, musical doors, bells and so on.

B. Modern product classification :

Modern product has been classified in three categories. First, it spots the products on a continuum and not on a discrete class. Secondly, it considers five product characteristics on like two. Thirdly, it defines products classified by colors as red, orange and yellow.

Following is the outline of the characteristics wise modern classification.

1. The continuum : the modern product classification spots all the products along the continuum with two basic characteristics at each end of the continuum. Accordingly, any product falling between these two ends has some combination of these two basic types.

Therefore, product may be spotted at the centre of the continuum or near one of the end of it depending on the mix or combined of its characteristics.

2. Product characteristics : Five product characteristics are identified in sporting the products along the continuum :

(a) Replacement rate. It signifies the rate at which a product is purchased and consumed by users in order to provide the satisfaction a consumer expects from a given product.

(b) Gross margin. It presents The difference between the paid in cost and the final realized sales price by the seller.

(c) Adjustment. It speaks of the amount of services applied to goods in order to meet the exact needs of consumer.

(d) Time of consumption. It marks the measured time of consumption during which the good gives up the utility desired.

(e) Searching time. It stands for the measured average time and the distance between the consumer and the retail outlets.

3. Colored product names : The products are classified as per colors as 'red', 'orange' and 'yellow'. Red products are those that have high replacement rate and low gross margin, adjustment, time of consumption and search time. On the other hand, yellow goods are those which enjoy low replacement rate, high gross margin, adjustment, time of consumption and search time. In the middle we have orange goods that enjoy these five characteristics neither high nor low but medium. Thus, red goods may be convenience goods, yellow goods may be shopping goods and specialty goods. The orange goods may be those of these between two extremes fulfilling combined features.

Industrial Goods

Industrial goods classification is based on how industrial buyers regard products and on how products are to be used. That is, the classification is not based on buying habits or impulses but the used for which they are put. Accordingly, Industrial Products can be classified into six

categories as : installations, accessory equipments, raw materials, component parts and materials, suppliers and services.

(i) Installations : There are expensive capital items that do not become part of the final product but are expanded, depleted or worn out during years of use. These include plants, buildings and other custom made standard major equipment.

(ii) Accessory Equipments : These comprise of tools and equipments or instruments and appliances that facilitate at production of office activities such as lift trucks, trolleys, drills, spanners, exhaust fans, jacks, pincers, hammers, pliers, saws, typewriters and so on.

(iii) Raw Materials : These are the basic commodities such as logs, ores, sand, sea-products such as fish, oysters, shrimps that are processed only as needed for safe, convenient and economical transport handling to reach the text processing stage or the place of end-use. Raw materials became part of final product losing original entity.

(iv) Component Parts and Materials : These are the items that have already undergone processing to meet buyer specifications. Component parts are ready or nearly ready items to be assembled into a final product. The examples are car batteries, tyres, tubes, bulbs etc. On the other hand, component materials require further processing. Thus, paper, cement, glues, fiber may be needed in assembly.

(v) Supplies : Supplies include items of repairs, maintenance and operation. These are less expensive items and are continually used up and these do not become part of the final product. These supplies maybe factory supplies. The examples of factory supplies are greases, glues, belt-fasteners, paints, nails nuts and bolts, oils, cotton waste, washroom supplies.

vi) Services (: Services are usually those made available by specialists in the support of firm's operations. Did services are provided by engineering consultants, maintenance contractors. Services are intangible and are expensive and are normally made available under service contracts.

CLASSIFICATION OF SERVICES PRODUCTS

Service products can be classified as 'consumer and industrial'.

A. Consumer Services Products

In today's world of speed, status, change and competition, one comes across many types of services sold to the consumers. On illustrative basis, some important consumer services are outlined here.

1. Catering and entertainment services.
2. Hostels, and motels.
3. Personal care services.
4. Medical and surgical services.
5. Household services.
6. Educational services.
7. Automobile services.
8. Transport services.
9. Communication services.
10. Insurance services.
11. Financial Services.
12. Personal security services.

B. Industrial Services Products

In the world of industry there is widest scope in variety of services that facilitate production and distribution of goods. The industrial world comes to stand still if these industrial and marketing services are not available at right in time, at reasonable cost, of right quality to suit to the individual industrial or marketing or both manufacturing and marketing units. The most common industrial services are :

1. Financial Services.

2. Engineering Services.
3. Transport services.
4. Warehousing services.
5. Insurance services.
6. Advertising and promotion services.
7. Office services.
8. Management Consultancy Services.
9. Marketing research services.
10. Manpower selection and training.
11. Middleman services.
12. Communication.

PRODUCT MIX DECISIONS

Product mix is one element of marketing mix which is designed and offered to the target consumers or prospects. Product mix or product assortment is the set of all products and items that a particular seller offers for sale. A product mix consists of various product lines. Thus Godry Agrovet division has a wide range of products in animal and poultry feeds, agricultural inputs horticulture and tissue culture. A company's product mix has a certain width, depth and consistency. The width of a product unit refers to how many different product lines the company carries. The length of a product mix refers to the total number of items in the mix. The depth of products mix refers to how many variants in each product offered in the line. Thus, in case of Hindustan Unilever Limited (HUL) the product 'Lux' comes in 4 distinct fragrances- exotic flower petals and jojoba oil, almond oil and milk cream, fruit extracts and honey in milk cream, and saffron in milk, cream.

Which company has its unique product mix. The ideal product mix is an issue that differs from farm to farm and is very difficult to define to configure. These are at least 4

situations where the firm has a sub-optimal product mix. These situations are :

- 1) Excess capacity in a firm's manufacturing warehousing or transportation facilities.
- 2) High proportion of profits from a small percentage of product items.
- 3) Insufficient use of sales force contracts and skills.
- 4) Steadily declining sales or profits.

PRODUCT LINE

It is a group of products that are related in some way - by being alternative to fulfilling the same customer need, by being marketed to the same target markets or through the same distribution network or by being in a common price category. A product line is a group of closely related products which are able to satisfy a class of need, to be used together, to be sold to the same customer groups, to be moved through the same distribution channels, or fall within a given price range. It refers to a group of products that are closely related either because they satisfy a class of need or are used together, are sold to the same customers, are marketed through same type of outlets or fall within the price range or that are considered a unit because of marketing, technical or end-use considerations.

In precise terms, a broad group of products which are designed essentially for similar uses and possess reasonably similar physical characteristics, constitute a product line. Thus, baby product line of Ponds India stands for toiletries, vaporizers, nursery equipments and baby clothes. Thus, TTK's ladies product line includes bras, panties, tops, nighties, napkins, kerchiefs, sanitary napkins, hooks, zips, buttons, threads, needles and so on.

Product line again is a dynamic concept because, a given product line may not and cannot satisfy the consumer goods for longer. This warrants a modification or change in the existing product line. Modification of product line implies construction, expansion, changing models and quality standards.

PRODUCT PLANNING

Meaning and Definitions

Product planning is the systematic determination of manufacturer's product line; that is, the number of variations of products to be offered by the enterprise to the market it serves. All enterprises run the risk of adding or retaining products that are not profitable, and of ending up with a product line that does not match the requirements of the market. Product planning seeks to minimize these risks through careful appraisal of actual and potential markets together with an evaluation of firm's resources. Adjustment of products to meet the needs of market is product planning.

"The act of marketing out and supervising the search, screening, development and commercialization of new products; the modification of existing lines, and the discontinuance of marginal or unprofitable items".

- **Mr. Karl H. Tietjen**

The Objective of Product Planning

Product planning activity is designed to achieve some specific objectives. The most important one are outlined below:

1. To meet the customer need : Just as all roads lead to Rome, all activities in the realm of marketing finally lead to meet the customer requirements. Product planning is a dependable tool in the kit of a marketing manager to attend this ultimate objective.

2. To spot-light firm's strengths and weaknesses : In this dynamic business world, no company is so strong that it is free from weakness and no company is so weak that it is away from strength. Each firm has its own strengths and weaknesses - maybe material or human. Thus, pinpointing the strengths and weaknesses becomes another object of product planning so that the products would be so devised as to minimise the weaknesses and maximize the strengths.

3. To fortify better resource utilization : Each company is committed to resources involving a definite cost structure. This minimum cost level of production is possible only when the company resources are geared to its production plan. As production planning is related with development of new products, modification of existing one to changing consumer needs, discontinuance of marginal products, the limited and costly resources are so employed as to get the greatest, better and cheaper production.

4. To guarantee firm's survival : Product is the hope for the firm's survival. The product that meets the ever changing needs of consumers makes the firm to survive successfully as it becomes adaptive.

5. To increase firm's sale : Sales are like milk capable of giving much warranted cream. Though the amount of cream depends on the quality of milk, this cream can be increased by generating more milk. Every firm rests on sales as the only sources of income to meet the outgoes and retain decent margin to justify its hard work of putting resources and taking risks.

COMPONENTS OF PRODUCT PLANNING

The basic components of product planning has been described below :

1. Product Innovation : Innovation is fundamental to both growth and change, and most marketing firms and industrial units will be unable to survive in the area of massive marketing competition if they fail to innovate. An innovation is the adoption of a new idea, product or process which is prospectively useful. The idea of innovation is much broader than invention.

Every change is not an innovation. Innovation is present only when the innovator is required to engage in productive problem solving. It is the design and development of something new as yet unknown and not in existence which will establish a new economic configuration out of old and the existing elements. Innovations induce demand and seek an opportunity to serve the present and potential market at a profit. It is a means to

translate ideas into products and products into profit.

2. Product Diversification: Product diversification refers to the product is expansion in the depth and/or in width. Diversification brings growth and stability to organization; it adds to the profits. It is like putting eggs into different baskets where risks of loss are reduced to a very great extent. Product diversification has its benefits if handled with care and caution as it has not been success in all the cases alike.

3. Product Standardization: Standardization implies a limitation of the number of varieties or the types composing a given class. Larger quantities are limited varieties of uniform quality can be manufactured by reducing unnecessary varieties. Consumer choice or selection is simplified through standardization as the consumers are left with only selected few product varieties. It contributes towards economies of costs and human efforts thus conserving to scarce inputs.

Standardization is an efficient vehicle of development through improved productivity, streamlined economic relations, enlarged trade and in facilitating transfer of technology. Standard is quality, economy, convenience, performance and value.

4. Product Elimination : Product elimination should be based on financial analysis of the total history of the product. Further, short-term and long-term profitability should be measured from form's divergent angles and possibilities. Product elimination helps in saving the firm from squandering away of costly raw materials; wiser alternative investment, taking full advantage of marketing opportunities.

NEW PRODUCT DEVELOPMENT

The corporate health depends on a continuous flow of new products and improvements in the existing ones. Survival and growth depend on incessant development of acceptable new and improved products.

Meaning and Definition

A new product is a product that is new to the company introducing it even though it may

have been made in same form by others. In the area of toilet soaps, different brands introduced by each company are that way, new products as it is new to the company. New products are those whose degree of change for customers is sufficient to require the design or redesign of marketing strategies.

In words of Prof. W.J. Stanton, M.J. Etzel and B.J. Walker, “ A new product is one which is really innovative which is significantly different from existing and imitative products that are new to the company.”

IMPORTANCE OF NEW PRODUCTS

The significance of new product is by now very much clear. The importance of new product or product innovation can be followed from the following points :

- 1. Company growth** : Growth and expansion of a company is heavily built on new products.
- 2. Higher profit margins** : A primary economic conclusion, derived from the analysis of life cycles of good many products, is that sooner or later every product is preempted by another or else degenerate into profitless price competition. This inevitable fact make clear the necessity of careful new product planning to maintain profit margin.
- 3. Business planning** : Company's plans are keyed to and made up of product plans. The plans for the growth in sales and profits of a company are at the cost of management interest and involvement. Thus, planning, hence, control starts with individual product plans.
- 4. Utilization of excess capacity** : Invariably, each and every company starts with a spare capacity - in terms of certain minimum amount of costs which are irreducible. New product, in whatever form, is to be produced with the double advantage.
- 5. Recycling of waste product** : In mass production lines, waste, scrap, rejects are in larger quantities though may be representing a nominal percentage of input. Recycling of these will go a long way in reducing the burden of costs.

STEPS IN NEW PRODUCT DEVELOPMENT

There are 6 logical steps in this creative process of new product development namely, Idea Generation, Screening, Business Analysis, Product Development, Test Marketing and Commercialization. This process can be compared to a hurdle race where the new product ideas are to cross all the barriers to go into commercial production.

HURDLES IN PRODUCTION DEVELOPMENT

Idea Generation

The first vital step is to generate ideas, for new products are from new ideas. Product Idea generation means fusion of perceived need with the recognition of a technical opportunity.

The sources of new ideas.

Idea generation involves various Idea sources :

A. Internal sources

There are 4 such possible sources :

1. Basic research
2. Manufacturing
3. Sales people
4. Top management

B. External Sources

External sources are the sources of product generating ideas that signify outside sources. Some important external sources are :

1. Secondary sources of information
2. Competitors
3. Customers
4. Resellers
5. Foreign markets

6. Inventors

I. Screening New Product Ideas

The new product idea generation stage aims at increasing the number of goods new product ideas; it encourages everyone and every source to build a stock of such good many ideas. Conversely, all the succeeding stages of product development reduce the number of ideas. Screening is the stage of product development that eliminates the greatest number of ideas from further consideration. It is the critical part of the development activity. New product screening is the development and use of criteria to evaluate the essential of new product ideas. It is that process whereby ideas from the new product idea pool have to be screened to find those that are worthy of continuous development and evaluation.

II. Business Analysis

The major step in the process of new product development is that of business analysis. It is an in-depth study of the estimated economic feasibility of new product ideas. It is an attempt to predict the economic consequences of the product for the company as a whole. It is the evaluation of the product idea in depth to determine its financial, competitive, manufacturing and marketing viability in an accepted business environment.

Steps in business analysis

Three major steps are involved in the business analysis, demand, cost and profitability analysis.

1. Demand analysis : The first step in the threadbare business analysis of new product is the study of product demand. Initially an estimate of total demand must be made.

2. Cost analysis : A complete cost appraisal is necessary as a part of the business analysis. It is rather difficult to anticipate all the costs that will be involved in a product, since the product idea has not yet entered the development stage.

3. Profitability analysis : profitability analysis is done through four types of analysis namely, Break even-Rate of return-Payout and Discounted cash-flow.

III. Product Development

Until the product development stage, the existence of the product is entirely theoretical.

Product development stage marks the making up of actual prototype of the product and tested, refined and marketing campaign is planned. During the development stage, the product idea is converted into the tangible physical product. This involves the design and formulation of the product and development of a technically and commercially method of manufacture.

IV. Test Marketing

'Test Marketing' or 'Market Testing' is the controlled experiment done in a limited but carefully selected part of the marketplace, whose aim to predict the sales or profit consequences, either in absolute or relative terms of one or more proposed marketing actions. It is essentially the use of the marketplace as a laboratory and of a direct sales measurement which differentiates this test from other types of marketing research. Test marketing is an ultimate test to experience and experiment with actual selling and purchase of the product. Test marketing is the actual conduct of a marketing campaign within a limited market, for a period that is hoped to be long enough to indicate its probable success on a large scale and indefinite basis.

V. Commercialization

Commercialization is the actual introduction of the product into the marketplace, with all of the rated decisions and resource commitments. Commercialization is to implement the decision taken at earlier stage and committing to the resources to implement new product strategy. In other words, raw materials and component parts contacts are to be made with the suppliers; channels of distribution are to be selected; manufacturing facilities-equipment, processes must be set in operation; sales people to be hired and trained; advertising programme is to be okayed. Thus, it is a commitment in terms of finance and people.

SUCCESS IDEAS IN NEW PRODUCT DEVELOPMENT

It is but natural that companies would try to maximize the profitability of success in new product development as product failure costs a lot. In this regard, large number of studies have

been carried out into the factors that instill success. Though the process of product development is very complex, it is possible to come to certain broad success facilitating factors. Following can be the general guidelines for product success in this area.

1. Market requirements : Successful innovators pay close attention to the requirements of the market. They undertake extensive and intensive market research to identify market wants and needs and maintain close liaison with potential users during the development.

2. Marketing requirements : Successful innovators pay close attention to all the facts and facets of marketing such as advertising, promotion, selling packaging, branding, technical literature and so on.

3. Top management support : Successful innovators have the whole hearted support of the people at the top in the corporate hierarchy. This product champions are more likely to have the power to overcome organizational inertia and other impeding factors of new product development.

4. Good external communications : Successful innovators have an open mind and good external communications. That is, they keep in good and constant contact with institutions in science and technology.

5. Diligent development work : Successful innovators tend to perform their development work diligently and efficiently rather than more quickly. They eliminate the possible technical defects from the product before launch and they have bigger development teams and spend more time and treasure on development.

PRODUCT LIFE CYCLE

The product life cycle or PLC model is one of the most frequently encountered concepts in marketing management. It is that recent introduction to the marketing inventory which acts as the key to successful product management right from its introduction to the obsolescence.

MEANING OF PRODUCT LIFE CYCLE

The product life cycle is a conceptual representation. It is a product aging process. Just as human beings have a typical life-cycle going from childhood, adolescence, youth and old-age, so also products follow or similar route. Product life cycle is simply graphic portrayal auto sales history of a product from the time it is introduced to the time when it is withdrawn.

According to Professor Philip Kotler, “It is an attempt to recognize distinct stages in the sales history of the product”.

(A Typical Product Life Cycle)

As a concept, it means three things :

1. Products move through the cycle of Introduction - Growth - Maturity and Decline at different speeds.
2. Both sales volumes and unit profits rise correspondingly till the growth stage. However, in the period of maturity stage, sales volume rises but profits fall.
3. The successful product management needs dynamic functional approach to meet the unique situations of sales and profitability.

STAGES OF PRODUCT LIFE CYCLE

The product aging process has four stages as depicted in the figure, namely - Introduction, Growth, Maturity and Decline. A detailed analysis of each stage is a must in terms of basic features and implications.

I. Introduction

Whenever a new product is introduced, it has only a proved demand and not the effective demand. That is why, sales are low and creeping very slowly. It may be the case with the product like a instant coffee, frozen orange juice or a powered coffee cream. This first stage of product

life cycle is characterized by :

1. Low and slow sales : The product sales at the lowest and move up very slowly at snail's pace.

2. Highest promotional expenses: During this period of introduction or the development, the promotional expenses bear the highest proportion of sales. It is so because, the sales are of smaller volume on one side and high level promotion efforts to create demand on the other.

3. Highest product prices : The prices charged at the beginning are the highest possible because of :

(a) Lower output and sales absorbing fixed costs.

(b) Technological problems might not have been mastered fully.

(c) Very few competitors or no competitors

II. Growth

What's the market has accepted the product, sales begin to rise. The prices may remain high to recover some of the development costs. With high sales and prices, profits rise sharply. This encourages competition leading to possible product improvement.

The basic characteristics of this stage of product life cycle are :

1. Sales rise faster : The sales start climbing up at faster rate.

2. Higher promotional expenses : During the period of growth, the promotional strategy changes. The problem is no longer one of persuading the market to buy the product, but rather to make it to buy a particular brand. The advertising moves towards brand identification, Awareness to have the effects of a brand image.

3. Product improvements : With the high sales and prices, profits rise sharply and because of this, there is greater incentive for the companies to enter the market.

III. Maturity

Eventually, market becomes saturated because, the household demand is satisfied and

distribution channels are full. Sales level off and over capacity in production becomes apparent. Competition intensifies as each manufacturer wants to ensure that he can maintain production at a level which gives him low unit costs.

IV. Decline

In this terminal stage, sooner or later actual sales begin to fall under the impact of new product competition and changing consumer tastes and preferences. Prices and, hence, profits decline. It is a stage where the market for the product has been superseded by a technological or style change which replaces the existing demand altogether. That is, the old products are rendered obsolete. For instance, the development of tough - water based paint 'oil-bond' has made significant inroads into the traditional market for oil-based varnish enamel paints. That is, alternatively, introduced in the product may fade, leading to a rapid reduction in sales.

PRODUCT BRANDING

Almost every concern wants to name its products. These names given are brand names.

Branding plays more role than a mere name. It is because, brands name is quite different from ordinary name. A brand is a symbol, a mark, a name that acts as a means of communication which brings about an identity of a given product. Brand is product image, brand is quality of product; brand is value; it is personality.

“Brand as a name, term symbol or a design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. On the other hand, branding is the process of finding and fixing the means of identification.”

- **Committee on Definitions A.M.A.**

Role of Branding

Brand names came to create identity to distinguish one product from another. Identifying

is essential to competition because, without means of identification there is no way of making advice except by happenstance. Following points pin down its precise role :

1. Brand is a Massive Asset : Brand is considered as a major intangible asset because all the physical assets such as plant, equipment, inventory, building, stocks and bonds can be duplicated or copied very easily, however, it is almost impossible to duplicate brand name.

2. Brand is a Promotional Tool : Sales promotion is founded on the idea of product identification or product differentiation. The differentiation is done by a brand. Major weapon of product popularization is advertising. And it is futile to advertise a product without a brand name.

3. Brand is a Weapon to Protect Market : Once a consumer has tried and liked a product the brand enables him to identify so well that he is tempted to buy it again.

4. Brand is Antidote for Middlemen's Survival : If a product wins consumer reputation, the manufacturers regain control over product distribution. The class of middle men always tends to go in for a successful brand. That is, without brand identification, this middlemen find it difficult as to what to buy and sell.

5. Brand is a Means of Identification for Customers : Brand is the easiest way of identifying product or services that a customer likes. For him, brand is value, quality, personality, Prestige and image. A branded product is distinct product in his eyes. Thus, Philips bulbs are regardless of where they are bought.

CHARACTERISTICS OR REQUISITES OF A GOOD BRAND NAME

The following are the main features of a good brand name :

1. It must be easy to pronounce and remember : For instance, 'HOECHST' is difficult to pronounce. On the other hand, 'Murphy Baby' and 'Click' are fine examples.

2. It should be short and sweet : The name must be short yet sweet, appealing to eyes,

years and brain.

3. It should point out producer : The name or symbol should be given connotation of the product, producer, etc. The best examples are NELCO, MICO, LT. AMUL, B.T. INDAL etc.

4. It should be legally protectable : The brand name must lend, themselves for legal protection.

5. It should be original : The brand name selected must not be general but specific. It must be such that it is not easily copied by others.

6. It should reflect product dimensions : A good brand name is one which reflects directly or indirectly some dimensions say product benefit, function, results and so on. For instance EZEE of Godrej Company is really easy to use for better results; another brand GOOD-NIGHT of a mosquito repellent pad implies the user says good-night to mosquitoes as he is going have good and sound sleep at least eight-hours.

MERITS OF BRANDING

The merits of branding can be discussed from the points of view of manufacturers, middlemen and consumers.

A. Merits to the Manufacturers

The makers of the product stand to gain because brand has a definite role to play to assist them in effective marketing goods. These are :

1. Products get individuality.
2. Control of product prices.
3. Increases bargaining power.
4. It reduces the advertising costs.
5. Ever increasing demand.
6. Introduction of new product is made easy task.

7. It is a powerful weapon of product differentiation.

B. Merits to wholesalers and retailers

1. Quicker sales.
2. Advertising and display of products is rendered easier.
3. Increases market share and control over market.
4. Introduction of new products is rendered easier.
5. Branded products have more stabilized prices.

C. Merits to consumers

The consumers for whom the products are produced as per their specifications stand to gain by branding or branded products as below :

1. Brand stands for quality.
2. Consumer protection against cheating.
3. Branded products reflect their lifestyles.
4. Steady and regular supply of products.
5. Prevalence of stable prices.

BRAND CLASSIFICATION OR TYPES OF BRANDS

There are different ways in which brands are classified. The most obvious ways are three namely,

1. Individual and family brand names : Individual brand names are those where is product has a special and unique brand name. Truly speaking individual branding is the best tactics of successful marketing.

On the other hand, family brand names are used in a product line of a company.

Thus, 'Kissan' known for 'Noga' , 'Maggie', 'Dipy' and the like. Sometimes, these blanket or family brand names become 'umbrella' brands for all the product lines of a company

2. Manufacturers and distributors brands : A brand which is owned by manufacturer or

is registered under manufacturer's name is manufacturer's brand. This is usually the case with big sized concerns known for equality production with wide network that they sell their products under their own names. All big business houses in India like Tatas, Batas, Singhania, Thappars, Lals, Chands and the like have their own brands.

On the other hand a distributors brand or private brand is and by the distributor or is registered under the name of the distributor. It is called as private because, the producer of the manufacturer does not come into picture at all. Bata company, Swastik and Corona are selling the products of so many small producers under their brand name.

3. Regional and national brands : Many a times it is geographical coverage that is used to classify the brand. A 'national' brand is one which is identified by the people as one throughout the nation. Thus, Lipton's 'Dalada' brand vanaspati is the finest example of national brand. If the same vanaspati is identified in different states by varying brands, it is regional brand. Thus, it can be 'Camel' brand in Rajasthan, 'Everest' in northern states, 'Ganesh' in southern states, 'Kali' brand in the eastern states.

TRADE MARK

The brand mark or trademark in economic, it is that part of a brand which cannot be vocalized but can be recognized. It consists of symbols, designs and fine blending of colorings or letterings. The aim is immediate identification of product even those who are illiterate. These instances of brand marks are Audi-automobiles, Toyota, Skoda, Honda automobiles, SBI, LIC, flying Kingfisher of Kingfisher Airlines, Air India as Maharaja, Eye mask of eye-donation, A mark of cancer and so on.

PRODUCT PACKAGING

Packaging is the other side of the product identification. Traditionally, the function of packaging was to protect goods. However, it is a promotional tool and the major image builder contributing to the product success. It is a point of sale display that develops a favourable

consumer appeal. Packing is a process that speaks of company's ability to contain economically man made or natural products for shipment, storage, sale or final use. In simple words, packing is the act of housing the product in the packages are containers like tins, cans, bags, jars, bottles, boxes, kegs, casks, and the like. A package is a wrapper or a container in which a product is enclosed, encased, housed or sealed.

"Packaging is an activity which is concerned with the protection, economy, convenience and promotional consideration".

- **Professor Philip**

Objectives of Packaging

Packaging is a market and marketing necessity, at least five objectives can be identified so far as product packaging is concerned.

1. **Product protection.** The primary objective of packaging is protection of products or contents.

2. **Product identification.** The products available in a shop on shelves must be distinguishable for easy identification.

3. **Product convenience.** A packaging aim at providing maximum convenience to the purchasers, producers and distributors alike.

4. **Product promotion.** Product package is a powerful promotional tool. Packaging performs advertising functions.

5. **Product profit generation.** Adequate and proper packaging can be the cause for generating increased profits to the producers and distributors.

ESSENTIALS OF GOOD PACKAGING

The packaging must be certainly attractive, protective, economical, convenient and adjustable. The following are the Essentials of a good packaging.

1. It should protect the contents.
2. It should be attractive.
3. It should bestow convenience.
4. It should guarantee economy.
5. It should assure adjustability.
6. It should be informative.
7. It should be pollution free.

TYPES OF PACKAGES

Broadly speaking there are three types of packaging, namely- primary, secondary and shipping as discussed below :

1) Primary packaging: Primary packaging is basically done for protecting the quality of the product and protection against possible effects caused by exposure. Much depends on the type of product- its form namely, solid or liquid, solids are packed in polyethylene paper bags, hardboards, bottles both glass and plastic.

2) Secondary packaging: Secondary packaging serves for providing quantitative convenience of the buyers and sellers. Thus Shampoo Sachets may be in straps of 10, 20, 30, 40, 50 and so on. The bottles may be 10, or 12, or 144 units put together. It also helps in storage.

3) Shipping packaging: Shipping packaging is the final packaging mainly for transportation and stocking purposes on wholesale basis. Thus, fruit juice boxes may be put in cartons of 50, 100, 200 and so on.

UNIT-III

Pricing Strategy;

Objectives of pricing, methods of pricing, factors influencing price determination

Objectives of pricing

MEANING OF PRICING

The term 'price' need not be confused with the term 'pricing'. Pricing is the art of translating into quantities terms (rupees and paise) the value of the product or unit of a service to consumers at a point in time.

Objectives of Pricing

Like that area of marketing planning, pricing of products begins with the setting of pricing objectives. Pricing objectives are the foundation for the pricing policies and strategies is to be framed and implemented in due course. The process of estimating objective is structured by the firm's internal environment. In fact, a very large number of price objective are available. The point lies price objectives must be consistent with the organization's internal thrust and compatible with external environment. It is because, price objectives are to serve as the basic standards for measuring managerial performance for effective monetary monitoring, coordinating and planning.

The most widely accepted price objectives are outline below:

1. Survival: survival is the most fundamental objective is most cases. Organization tolerate almost any kind of deficiency say, short-run losses, internal organization, reduction in the size of operations and the like in order to continue is existence Therefore, at least in the short-run, some organization price products with objectives of obtaining working capital for uninterrupted operations. However, survival price objective is short-run or a temporary goal and is it only when the firm faces a survival crisis.

2. Target return on investment: Pricing for profit is the most logical price objective. Pricing to attain predetermined profit involves the establishment of specific profit goals either as a percentage of sales or a R.O.I or return on investment. Price decisions based on investment return a becoming very common both in private and public sector undertaking these days. This objective expects a certain predetermined rate of return on capital employed over a period of time.

3. Market share: Market share is really a meaningful measure of the success of a firm's marketing strategy. A market share price objective can be either to maintain the market share, to increase it or sometimes too decrease it. The company uses the prices as an input to enjoy a target market share. Target market share means that portion of the industry sale which a company aspires to attain. This market share is normally expressed as a percentage of the total industry sales. Price is typically one of the most important variables in improving or maintaining market share.

4. Cash- flow management: Product pricing decisions are extremely important to the financial manager. In the past, marketing plans did not, as a rule, make any major claim on company's cash reserves. Today, the marketing world has changed drastically. The rapid expansions of aggressive selling have made it necessary to commit sums of money to marketing. Since there are many demands within the firm, it is quite imperative that the price objective is to retain as much cash possible within a given period of time.

5. Price and profit stabilization: Stabilizing prices and profits can be a long-term objective of a firm. Fluctuating prices having fluctuating profits bring into play unwanted forces affecting the firm's economic health and status in the market place. Stabilization of prices and margins is more in critical industries where oligopoly prevails.

6. Resources mobilization: Mobilizing the resources for either self-development or reinvestment elsewhere can be another price objective. Prices are deliberately set high in certain cases so as to make not more profits but to generate more surplus for the purpose of reinvestment in the same firm or other firms. Thus, State Trading Corporation of India has been following this objective on all the imported stuff sold in the Indian market. One such example is imported cars. Similarly, petrol rates are kept very high as it yields a good easy surplus because gasoline automobiles depend fully on petrol.

7. Meeting killer competition: Price can be used as a weapon to meet the competition or eliminate it. Matching or marring the competitors is the simplest strategy in case of those

companies that are more interested in non-profit strategies. Meeting of competitors implies keeping more or less same prices as fixed by the competitors. Here, quality and consideration are to be taken more or less identical. In case of such price policy, consumers are at a loss to decide only by price. They go by other points such as weight, color, dimensions, package, feel appearance etc.

8. Profit maximization: Profit maximization is the age-old objective of pricing. Here, price policy followed by the management helps the firm to maximize its earnings under given market condition. Maximization of profits is of the overall activities of the firm and not in case of each product item because, it means exploitation and goes against the concept of social responsibility of charging reasonable profit.

9. Maintaining the image: Every company has an image from the moment it opens its doors. It is an identity representing what it has done to convey to the public. It is the sum-total of the impression that the people have about the firm. It is about its products-packages-trade mark-brand names-employees-graphics the marketing programme and like. This image is deeply influenced by how the company handles the delicate and sharp weapon of pricing.

Methods of Pricing

The company resolves pricing issue by selecting a pricing method that incorporates costs, competition and demand factor. The choice of a particular method, however, depends on the pricing needs and the decision and input barriers encountered by the management. The most important pricing methods are based on cost, competition and demand.

A. COST BASED PRICING METHODS

Costs establish the floor the possible price range and there are two commonly used cost oriented pricing method to set the product prices.

(1) Cost plus pricing, and

(2) Target return pricing

Cost Plus Pricing Method

Cost plus target mark-up pricing involves simply adding a percentage of the cost to arrive at the price. There is slight difference between cost plus and mark-up pricing. Mark-up pricing is an addition of profit calculated as a percentage of sales rather than as a percentage of cost. In the final analysis, the amount of profit will be the same though percentage of profit differs on cost and on sales.

The easy formula to set price mark-up pricing method will be:

Selling price = Average unit cost / (1 - Desired mark-up percentage)

Target Return Pricing

It is another very popular cost oriented method followed by a good many manufactures. It is based on the break even analysis. It sets the prices at a desired percentage return over and above the break-even point. Thus, the cost of production and offering the goods for sale are determine and a target percentage return is then added to these cost at given standard output level. Since, total revenue to be generated includes costs and profit, it is easier to find unit selling price by dividing the total sales revenue by total output or input level.

B. COMPETITION BASED METHODS

Good many firms set prices largely in relation to the pricing their competitors. Though no firm can afford to disregard cost and demand factors in pricing, it gives major attention to positioning its prices just relative to the prices of its competitors. There are two such commonly used competitions based pricing methods.

Going Rate Pricing

Going rate pricing is the method of setting the prices in relation to the prices of competitors. The firm bases its prices largely on the competitors prices with less attention paid its own costs or demand. Therefore, the firm may be the same, more or less than the major competitors or competitors. Generally, in industries where oligopoly prevails such as steel, paper, fertilizers, aluminum, copper and like, the charges the prices when the competitors. It is natural that the firm charges the prices when the competitor or competitors change not

bothering about their cost and demand change. Some firm may charge not higher or lower prices than their competitors.

Sealed Bid Pricing

In all those business lines where the firms bid for jobs, competition based pricing is followed rather than its cost and demand. The firm fixes its prices on how the competitors price their products. It means that if the firm is to win a contract or a job, it should quote less than the competitors. With all this, the firm cannot set its price below a certain level. This is, it cannot price below the costs. On the other hand, higher price above its costs reduces the chances of winning the job. The net effect of the two opposite pulls can be well described in terms of "expected profits" of a particular bid.

C. DEMAND BASED PRICING METHODS

All those firms that set product prices based on costs competition can not afford to forget the relationship between traditional mark-ups or competitors prices and market demand considerations. Demand for products has its impact and, hence, demand schedules can be purposively incorporated into price setting through different methods. There are two important demand based methods namely.

- (1) Demand modified break even analysis pricing and
- (2) Perceived value pricing.

1. Demand Modified Break Even Analysis

Demand modified break even pricing is that method which sets the prices to achieve highest profit (over the break-even point) in consideration of the amount demanded at alternative prices. In other words, this method requires estimates of market demand at each flexible price break even points and expected profit levels of total sales revenue can then be calculated.

2. Perceived Value Pricing

Of late, good many firms are setting their product prices on the basis of perceived value of a product. It is the buyer's perception of value and not the seller's cost which is the key to the product pricing. The prices setter use non-prices variables in marketing-mix to build up perceived and value in the buyer's minds and prices is set to capture the perceived value. This approach fits well within the thinking of product positioning. For instance, people have their own perception value for say Zodiac ties, Double bull shirt, leo toys, Bata shoes, Fiat car, Vespa sector, HMT tractor, Tata trucks, Bajaj tempos and so on.

FACTORS INFLUENCING THE PRICE DETERMINATION

The total and clear picture of these internal and external factors clearly depicted below :

(FACTORS DETERMINING PRODUCT PRICING)

The marketing executives set the product prices between an upper and the lower limits is the highest value that the consumer is likely to put on the product or service at a given point of time. However, the lower limit is the cost of producing, promoting, distributing and includes reasonable margin. Within these extreme limits, the actual prices are influenced by internal and external factors. It is crystal clear that the marketer can exert deeper control over internal factors while the external factors control him, his line of thinking and action.

A. Internal Factors

Internal and controllable factors affecting the price decision are-organizational factors, marketing mix, product differentiation, costs, product life-cycle and the objectives

1. Organizational factors: organizational factors refer to the internal arrangements or mechanism for decision making and its implementation. These arrangements differ widely from concern to concern at the different times in an organization. Normally, pricing decisions occur at two levels. Overall price strategy is the prerogative of the top executives who determine the basic range for the product range with reference with to market segments. However, the actual pricing is dealt at lower levels.

2. Marketing mix: Though price is an important component of marketing mix, other components cannot be niggarded. Any shift or change in any one of the elements has an immediate effect on the other three elements. Therefore, pricing decisions must be seen not in isolation but as a part of total marketing strategy and should avoid conflict with other elements namely, product, promotion and place, Price as a marketing technique is a big gun in the armoury of marketing manager that can make, maintain mar the situation. However, price change in either way will, not bring expected results unless such changes are combined well with other components that make a total marketing strategy. In many cases, mere price changes have brought in disastrous doom.

3. Product differentiation: The technique of product differentiation gives mach lee-way to the firm in setting prices for the products if done better than the competitors, Product differentiation ability of a manufacturer to make his product distinctive from other in the market. This differentiation is relevant to consumer and may be real or imaginary but is meaningful. In case of consumer goods, product differentiation is seen to the maximum possible extent. This can be by means of package design, smell, color, shapes, advertising theme, or the brand name that the product can be differentiated. Thus, toilet soap cakes same but different in colors that can be capitalized; the fragrance also can be a point for differentiated pricing. Simply adding the phrase "Export Quality" may make a world of difference with national and international packaging. Again, the firm's reputation can be the base for price differentiation.

4. Product Costs : It is but natural that most of us think that price of a product or a service is determined by costs solely. That is price is cost plus plan. Costs have relevance if market demand and competition are taken account. That is, production costs merely determine the business existence and it is the demand the competition that determine the price. Precisely, it is the market that sets the price and not product costs. There is nothing wrong if it is said that it is price that determines the costs. However, there is close relationship between costs and price. It is the effort of the every concern to cover all the costs so that the firm has the fair chances of

making surplus. Though profit earning and maximization are the goals of pricing, it may be always possible to do so.

5. Product life-cycle : The pricing policy followed is to be commensurate with the age of the product. That is, in what stage of the life-cycle the product is, that is going to decide the pricing policy to be followed. In the product introduction stage, the policy followed is one of market penetration. That is, the prices are to be the lowest possible. This builds goodwill. In the growth stage, prices can be raised to the extent tolerated by the consumer. However, abnormal rise is dangerous. In the third stage-the state of product maturity-price can be raised by following the policy of market skimming. However, it should be done with utmost care as competitors are in action. In the decline stage, the prices to be reduced to maintain the demand. Thus, it is the stage of the product life-cycle in which the product is trading thought that determines the exact nature of price policy in given concern.

6. Pricing objectives : A price policy is the means to achieve the price goals so set. Therefore, the nature of pricing policy is dictated by the objective or set of objectives to be attained as set by the top management authorities. It is these pricing objectives that provide the focus for pricing policies and strategies. As noted earlier; there are as many as nine objectives. These objectives, though nine in number are closely related to , one another and the attainment of one leads to another or others. Though a firm has a basic pricing objectives or set of objectives for its product lines, each product is likely to have a specific pricing objective. Therefore, a firm is expected to define its price goals in clear-cut terms so that they accepted and acted upon.

7. Functional position : Functional position of the manufacturer, wholesaler and retailer has its own impact on firm's pricing policy. If the firm has a longer channel of distribution, the product price for the consumer is bound to be higher than in case for a smaller channel. From this, one should not jump to the conclusion that such a channel should be kept quite limited to reduced the costs. so that the consumer get the products at minimum price. However, a

sound channel management can bring about considerable slicing down in costs. Cutting the product pipe-line is to be done on the merit of individual cases. Again, there is need for coordinated functioning of these manufacturers and middlemen so that control over the internal operations, selling advertising the administrative costs can be possible.

B. External Factors

As against the internal controllable factors affecting the pricing policies, there are equal number of external uncountable factors which are to be carefully analysed, interpreted correctly which control the firm.

These factors are :

- (1) demand
- (2) competition
- (3) economic conditions
- (4) government regulations
- (5) ethical considerations
- (6) suppliers and buyer behaviour,

1. Product demand : Demand is the single most important factor having tremendous impact on price, pricing and strategy followed by the firm. It is the nature and the magnitude of the demand that are more relevant to product pricing. The demand may be elastic or elastic perfectly elastic or inelastic. The pricing decisions will vary depending on the exact nature and the extent of elasticity. A perfect condition bring about more than proportionate increase in demand with a slight fall in the market price.

2. Competition : Knowing one's competitors is critical to successful marketing planning. The firm should constantly compare its products, prices, channel and promotion with those of competitors. The company is supposed to know as to who are its competitors? What are their objectives? What are their strategies? What are their strengths and weakness? And what are their reaction patterns? A company's competitors include those who are seeking

the same customer and consumer needs and making similar offers to them.

3. Economic conditions : The economic conditions prevailing in the country or region are having decisive impact on firm's pricing policy. If the economic climate is good, and invigorating, generally the demand for and sales of a product or products increases. A period of prosperity and happiness brings monetary satisfaction to the people. However boom period encourages competitors to enter the line to take advantage of profit margin.

4. The buyer behaviour : Buyer, here, we mean both business buyer and final users. The composition of these buyers and their behaviour has definite impact on the pricing decisions of the firm. Generally, if the buyer are more in number and smaller in strength, lesser will be the impact on the company pricing as they too small to influence unless they are well organized. On the other hand, a few buyer but large users have profound influence on the pricing decisions. Again, the pricing policy to be followed would be different in case of industrial users. The firm cannot have the same or identical price policy for both the classes of consumers. The study of buyer behaviour both individual and organizational is also of much relevance that provides focus for the price fixation as it highlights the buyer reactions.

UNIT-IV

Distribution

Meaning & Definition of channel, importance, levels of channels, factors influencing the choice of channel, Management of physical distribution

MEANING

A channel of distribution is an organized net-work or a system of agencies and institutions which, in combination, perform all the activities required to link to producers with users and users with producers to accomplish the marketing task.

DEFINITION

According to American Marketing Association, "a channel of distribution is the structure of intra company organization units and extra company agent and dealers, wholesale and retail, through which a commodity, product or service marketed."

IMPORTANCE OF DISTRIBUTION

Distribution is one of the important mix among marketing mixes. The role of distribution in marketing and in the whole economy can be discussed as follows:

1. Delivery of satisfaction

Marketing concept emphasizes on earning profit through satisfaction of the customers. Besides market research for the development and sales of goods according to need and wants of consumers, the participants of distribution channel also help producers in production of new goods

2. Standard of living

Distribution function helps to improve living standard of the consumers in the society. Proper distribution of necessary goods and services to the consumers easily at right time does not only satisfy them but also brings change in their living standard. Distribution brings improvement in living standard of consumers through generation of employment, increase in income and transfer of ownership. Hence, it brings positive effect in the society.

3. Value addition

The functions of distribution such as transportation, warehousing, inventory management etc. increase the importance of products by creating place utility, time utility and quantity utility. Distribution mix plays an important role to increase the value of the products through delivery of goods in right quantity, at right place and right time

4. Communication

Distribution serves as link between producers and consumers. Producers can make flow of information and messages to consumers about their products, price, promotion etc. through

channel members. Similarly, they receive information about customers, competitors and environmental changes from channel members.

5. Employment

The function of distribution creates employment opportunities in society. Market intermediaries work as direct and indirect sources of employment. Different producers need to supply their innumerable products to consumers. Thousands of distributors, agents, wholesalers, retailers, brokers etc. involve in supplying the products to the consumers. Similarly, many persons of the society can get job in the transport and warehouses sectors, etc.

6. Efficiency

Producers produce limited types of goods in mass quantity. but the consumers demand different types of goods in small quantity. When goods are produced in a mass quantity, they can be obtained at lower price. Distribution helps to satisfy the needs of consumers by supplying assortment of different products of different producers. From this, efficiency can be achieved in both production and distribution.

7. Financing

Intermediaries themselves make arrangement to keep reserve and stock of goods. The producers need not make arrangement and management of distribution centers and warehouse. The producers need not do anything except remaining busy in production, the timely payment by intermediaries and financial helps become more important for smooth operation of production. Similarly, the role of finance is also decisive in mobilizing other means of production.

Channel Levels:

Each layer of distribution intermediaries that performs some work in bringing the product to its final consumer is a channel level.

(i) A Zero Level Channel:

A zero level channel, commonly known as direct marketing channel has no intermediary levels. In this channel framework manufacturer sells merchandise directly to customers. An example of

a zero level channel would be a factory outlet store. Many service providers like holiday companies, also market direct to consumers, bypassing a traditional retail intermediary – the travel agent.

Eureka Forbes, leaders in domestic and industrial water purification systems, vacuum cleaners, air purifiers & security solutions is pioneered in direct selling that makes it an Asia's largest direct sales organization.

The remaining channels are known as indirect-marketing channels.

(ii) A One Level Channel:

A one level channel contains one selling producers such as Sony, Panasonic, Canon etc. sell their goods directly to large retailers such as Comet, Dixons and Currys which then sell the goods to the final consumers. intermediary. In consumer markets, this is usually a retailer. The consumer electrical goods market in the United Kingdom is typical of this arrangement whereby

(iii) A Two Level Channel:

A two level channel encompasses two intermediary levels – a wholesaler and a retailer. A wholesaler typically buys and stores large quantities of merchandise from various manufacturers and then breaks into the bulk deliveries to supply retailers with smaller quantities. For small retailers with limited financial resources and order quantities, the use of wholesalers makes economic sense.

This agreement tends to work paramount where the retail channel is jumbled – i.e. not dominated by a small number of large, dominant retailers who have an encouragement to cut out the wholesaler. Distribution of drugs/ pharmaceuticals in the Europe and United Kingdom is typical example of such arrangement.

(iv) A Three Level Channel:

A third level channel, as the name implies, encompasses three intermediary levels – a wholesaler, a retailer and a jobber. In the poultry industry, products like mutton, chicken, eggs etc. are first sold to wholesalers; he then sells it to jobbers, who sell to small and unorganized

retailers.

One point in this regard, is to be noted that the levels of distribution vary from industry to industry and country to country. In Japan, food distribution system usually may involve as many as five or six levels while rest of the world, rely on two to three levels distribution network.

Note: Because of the negative connotations of the word “jobber,” they are now referred to by the more politically-correct term – “Off-price specialists.”

THE FACTORS GOVERNING THE CHOICE OF DISTRIBUTION

In a competitive situation the channel commander-the producer or manufacturer-has a choice of alternative marketing channels. The commander, in exercising his choice, evaluates trade-offs among the channel by considering the various factors. These factors can be classified as to product-market-institutional and environmental.

A. Product Factors

1. Physical Nature : A primary factor to be considered is the physical nature of the product.

The selected channel must cope up perishability in the product-either physical determination on fashion perishability. If the production and consumption of the product are seasonably variable, any channel used must handle the resulting inventory problem.

The unit value of the product influences the channel. Generally, if the unit well is low, intensive distribution is suggested; if unit value is high, more selective distribution may be needed. Here, requirements are considered. Finally, if the product is such that small lot delivery is necessary to many scattered ultimate consumers, the channels selections becomes much more restricted.

2. Technical Nature : The second of consequence is the technical nature the product.

Selection of a marketing channel depends on whether the product is simple or complex. In addition, the ultimate consumer may need it advice on product uses. A complicating element is that of product installation and training the user. On the

technical products, exclusive dealers may be able to give advice; in other instances, the manufacture will be forced to sell directly. If the product is not highly technical, instance distribution can be selected to make the production available to the consumers.

3. The Length of Product Line : A product-line consists of a group of products related either from a production or a marketing stand point. The length of product-line is related to channel selection. A manufacturer with a short product-line is more apt to sell through middlemen than the one who has the full product-line. A decision must also be made with respect to using a single channel for the either line or splitting the product and using multiple channels.

4. The Market Position : A final consideration is the market position of the product. An established product made and promoted by a reputed manufacturer may have a high degree of market acceptance and can be sold easily and readily through various channels. Frequently, new product sells on the reputation of established brands. Such type of trading may result in larger short-term sales but have greater long-term inherent risk.

B. The Market Factors

1. The Existing Market Structure : The channel commander may have difficulty in altering the middlemen's traditional modes of operation. The existing market may be highly concentrated geographically or it may be widely dispersed. For instance, the industrial markets, many a times, involve only large customers concentrated in a few large cities. Consumer goods market relate directly to the populations. Consumer preference is generally the critical factors in channel selection. Manufacturer of baby food, for example, change their channels of distribution after research that revealed that the Mothers preferred super markets to drug stores.

2. Nature of the Purchase Deliberations: Some products are purchased on impulse;

with others the purchase is important enough for the consumer to make a rational deliberation. The consumer who purchases an automobile tire, for example, has different purchase deliberation than the buyer of a toothpaste. The Purchase liberations may deliberation the frequency of purchase. When consumer purchases frequently, more buyer seller contacts are needed and middlemen are suggested.

3. Availability of the Channel: The existing channels may not be interested in adding products to their assortment, and the channel commander has the task of winning the cooperation from the channel members. His two basic choices are : pushing the products through the channel or pulling the product through the channel. In pushing the product through the channel, the commander uses normal promotional effort and rational arguments to persuade channel members to carry his product. In pulling the product through the channel, the commander uses aggressive promotion to final consumers on the theory that strong consumer demand will force middlemen to carry on the product in order to satisfy the consumers.

4. Competitors Channel: The distribution channels used by the competitors of the channel commander influence his channel selection. When the competitors are using a particular channel and have been successful in the arena of distribution, it is but an essential to competitor's customary channel of distribution distributions that have paved the way for success. Every product or group of products dealing has established practices. Such practices may relate to a channel. There is nothing wrong in copying the channel strategy of the competitors if it is logical and suitable of the requirements of the channel commander.

C. Institutional factors

1. The Financial Ability of Channel Members: Manufacturer may find it necessary to aid their retail dealers through direct financing either interest-free loans or liberal credit terms. Credit terms are competitive and willingness to extend credit influence

the channel acceptance. Mass retailers, sometimes, finance suppliers either directly or by investing in the company. Orderly government agencies are barred from making payment in advance for the receipt of goods.

2. The Promotional Ability of Channel Members: The wholesaler, by their very nature, cannot be aggressive in promoting products of particular manufacturers. Rather, wholesalers identify with the small retailers whom they serve. Executive distributors, however, are able to promote or cooperate with the manufacturer in joint promotion programming. Usually, it is the channel commander who finds it necessary to promote the product. In fact, his promotional efforts often established him as the channel commander. Manufacturer assumes the function in the case of national brands. The promotion of private brands usually rests on the mass retailer or wholesalers who established the brand name.

3. The Post-sale Service Ability: In many cases, a warranty is associated with a product. The question arises as to which member of the channel will make warranty adjustment. In absence of a warranty, periodic servicing may be required in order to keep the product operating. The retailer distributors are the closest contact with the consumer, and the consumer may expect the retailer to service the product. In other instances, the product is returned to the manufacturer for service, though in some cases, the service is performed by independent services organization established for the purposes.

D. Unit Factors

The firm's own strength and weakness have deep impact on channel selection decisions.

There are four such factors :

1. The Company's Financial Position : A company with a strong financial background can develop its own channel structure. Though it is a new company, it need not copy the traditional channel structure of other companies in the line. This is so because, the company is

depending on the financial assistance extended by the intermediaries. Therefore, a financially strong company opts a direct channels and Employment of Agent middlemen then merchant middlemen. This back thought may not be possible for the weak firms and are directed by the intermediaries who play Upper hand in the distribution.

2. The Extent of Market Control Desired : The channel selection is governed by the degree of market control desired by the company. Here, market control implies the ability of the company bend the behaviour of the channel number to the will of management. Such a control may be exercised by the channel commander in respect of consumers to be saved, resale price maintenance, territorial restrictions and quotas and the like.

3. The Company Reputation : A company well known for its products, does not face any difficulty in having easy settlement of channel clutter. A reputed company need not go to intermediaries, instead the intermediaries are eager and plant for having relations. The company reputation is reflected in higher sales turnover, lower inventory levels, quick replenishment of stocks, easy claim settlement and thig competitive product strength.

4. The Company Marketing Policies : The company marketing policies designed and implemented have greater and deeper bearing on the channel of distributions are advertising-sales promotion-delivery-after-sale services-and pricing. A company had a heavy to be direct as required a few layers of people to push the products through the pipeline.

Management of physical distribution

Physical distribution management is that part of general management which is responsible for the design, administration and operation of the systems to control the movement of raw-materials and processed goods.

The structure of physical distribution system or arrangement of any marketing organization is made up of four broad components namely, order processing-inventory management-materials handling and the transportation.

I. ORDER PROCESSING

Physical distribution sets in motion with a customer. Order processing includes the activities of receiving, recording, filling and assembling and order for shipment. Each customer expects that the order placed by him should be implemented without inordinate delay on one hand and that the goods despatched match perfectly to his order specification. This implies quality control that ensures the upright execution of orders. That is why, marketers and distribution managers are very much concerned about the order cycle time and every effort is made to keep it rigged.

II. INVENTORY MANAGEMENT

Inventory management, here, means and includes the management of product on the move. Inventory management is the basic task of planning and controlling of finished goods after they have been brought out from production centers and before their deliveries to the user. Inventory management, among other aspects, covers the most immediate aspects of warehousing and inventory controlling. Therefore, the two aspects are discussed at length.

A. WAREHOUSING

Warehousing or storage is an act of storing and assorting the finished goods so as to create maximum time utility at minimum cost. Warehousing covers two sub functions namely, movement and storage of finished goods. Movement refers to the actual receipt of product from the manufacturing centre or centers, their transfer into warehouse and stocking at designed place, assorting according to consumer order and transferring them to common carriers on their way to consumers. The storage function is mainly concerned with holding and carrying the goods from the time they are placed in till they are placed out in common carriers. It is mainly a safety and preservative function.

B. INVENTORY CONTROLLING

Physical distribution management surrounds the inventory and its management. Inventory implies the stock of goods held over a period of time for meeting the consumer needs-both

business and final. Inventory acts as a link between the order models of consumers and the production or the procurement cycle of the firm. For a manufacturer, the inventories are made up of raw-materials and parts, stocks of partly manufactured products and finished goods. In case of distributors and retailers, it is mostly the finished stock meant for the final consumption. Inventory accumulations is expensive, yet it's availability is essential to the consumers for their satisfaction.

III. MATERIAL HANDLING

Material handling as a human activity is as old as mankind. However, how material handling has become so important and specialized that it is viewed as a system. Materials handling is undertaken at every stage of logistics activity namely, during production-storage-transport and packaging processes. As we are to look material handling purely from marketing angle. It stand for the product movement after it gets out from manufacturing plant but before it is loaded on the transport mode to the destinations of consumer.

IV. TRANSPORTATION

Transportation as the last component of distribution system is to do with the movement of products from warehouse to the consumer destination. Transportation involves loading and unloading of products and transshipment between the place of despatch and place of arrival. The major contribution of transportation management is cost reduction because, cost of transportation is 35 percent of total distribution costs and 15 to 20 percent of the total price paid by the users. The point lies in cost reduction and creation of maximum of time utility. Every alert marketer takes sufficient interest in company transportation and transportation decisions because, it is the correct choice of transport mode of modes that will help in gaining the effects as it affects pricing products, regular and punctual delivery performance and the conditions of the goods in transit-all affecting finally the consumer satisfaction and sales profitability.

UNIT-V

PROMOTION

In marketing, promotion refers to any type of marketing communication used to inform or persuade target audiences of the relative merits of a product, service, brand or issue. The aim of promotion is to increase awareness, create interest, generate sales or create brand loyalty. It is one of the basic elements of the market mix, which includes the four P's: price, product, promotion, and place

Promotion Mix

INTRODUCTION

Production of best product is not sufficient these days. What is more important is that it should be brought to the notice of those who are interested in these products and services. Therefore, promotion or communication mix is very significant as a part of marketing mix which is made-up of product, price, place and promotion mixes or elements. This promotion mix is all the more important as it brings to the notice of customers or prospects the appropriate information regarding goods and services explaining each sub mixes namely, product, price and the place.

Concept

Product promotion is critical for every business due to the lasting impact promotion has on the clients. The promotion mix is essentially what promoting entails as well as how promoting is effectively done. It comprises advertising, sales promotion, personal selling, advertising and public relations, Using the right blend of the promotional mix ensures that a business will

continue gaining customers and achieving success in both the short and long run.

Role and Tasks of Promotion

The aims and tasks of promotion are basically three namely, informing, persuading and reminding.

Informing

Informing promotion seeks to convert an existing need into want or to stimulate interest in a new product. It is generally seen active during the early stages of product life cycle.

Persuading

Persuasive promotion is engineered to stimulate a purchase or an action. Persuasion generally becomes the main promotion goals when the product enters the growth stage of its life cycle.

Reminding

Reminder promotion is used to keep the product and brand name in the audience's mind.

Reminder promotion is very active during the maturity period of product life cycle.

Advertising

The word 'Advertising' has originated from the Latin word 'adver' which means 'to turn the mind toward'. The dictionary meaning of the term is to give public notice or to announce publicly. Advertising has been variously defined by various experts.

The American Marketing Association has defined advertising as, "any paid form of non personal presentation or promotion of ideas, goods or services, by an identified sponsor".

"Advertising is mass communication of information intended to persuade buyers so as to maximize profits."

- Littlefield and Kirkpatrick

Features of Advertising

Advertising is the Mass Communication of information intended to persuade buyers to buy

product with a view to maximize profits.

Following features of advertising may be highlighted from the analysis of above given definition:

1. Paid form of communication : Advertising is a paid form of communication.

Advertisements appear in newspaper, magazines, television, radio, cinema screens etc. the advertiser purchases space or time to communicate with a prospective customers.

2. Non personal presentation of message : The advertiser does not come face to face with the customer. The advertisement is read, seen or listened by the customers from the presenting media and that is why it is called non personal presentation.

3. Promotion of product : The purpose of advertising is to promote the product and service. It is directed to increase the sales of product and services of the firm.

4. Sponsored by identified person : Advertisements are sponsored by identified persons. It should disclose or identify the sources of opinions and ideas it presents.

Objectives and Functions of Advertising

Advertising has become an essential activity of marketing. It is pursued with a definite objective of promoting the firm and its products and also undertakes certain functions.

1. Promotion of sales.
2. Educate public about product.
3. Introduction of new product.
4. Overcome competition.
5. Mass production.
6. Research and development.

Types of Advertising

Broadly speaking, advertising can be classified under two categories, viz., Product

advertising and institutional advertising.

1. Product advertising: The main objective of product advertising is to promote the sale or reputation of a particular product, brand or service. It is used by manufacturers, businessmen, government organizations and private non business organizations to promote the uses, features, benefits and images of their products and services.

2. Institutional advertising: Institutional advertising aims at building for a firm a positive public image or goodwill, rather than to promote sales of a product or service. Its purpose is to create favorable feelings towards the firm and make friends for the institution or organization as a whole.

Sales Promotion

Sales promotion refers to “those marketing activities, other than personal selling, advertising and publicity that stimulates consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstrations and various non-recurrent selling efforts, not in the ordinary routine.”

Objective of Sales Promotion

The main objectives of sales promotion are as below:

1. To supplement and coordinate the efforts of advertising and personal selling.
2. To stimulate customers to make purchase at the point of purchase.
3. To introduce new products.
4. To attach new customers.
5. To meet competition.
6. To prompt existing customers to buy more.
7. To sell in off-seasons.

Methods of Sales Promotion

Sales promotion devices may be classified as :

1. Consumers promotion
2. Trade or dealer promotion
3. Sales force promotion

1. Consumer promotions

Sales promotion activities desired to reach consumers may take any of the following forms :

- (a) Samples.
- (b) Coupons.
- (c) Contents.
- (d) Demonstrations.
- (e) Premiums or bonus offers.
- (f) Price off.
- (g) Money refund.
- (h) Free gifts.

2. Trade or dealer promotion

Sales promotion efforts are also required to attract the retailers and wholesalers to keep a large stock with them.

This includes the following forms :

- (a) Cash and trade discount.
- (b) Display and Advertising allowance.
- (c) Premiums.
- (d) Bonus.
- (e) Count and recount allowance.
- (f) Free goods.
- (g) Dealer's contests.
- (h) Free goods.
- (i) Subsidized advertising.

(j) Buy back allowance.

(k) Gifts and novelties.

3. Sales forces promotion

In addition to the consumers' and dealers' promotions, efforts are also needed to motivate and include salesman to put their efforts so as to achieve the desired results. The following activities may be taken for sales force promotion :

(a) Bonus.

(b) Commission.

(c) Sales-force contest.

(d) Meetings, conventions and conferences of salesman.

(e) Quota incentives.

Personal Selling or Salesmanship

Personal selling or salesmanship is the art of persuading people to buy the given products or services. It includes all those efforts or skill through which the seller sells his goods or services. The salesmanship means all those efforts through which the seller sells his products or services.

“Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales; it is the ability to persuade the people to buy goods and services at profit to the seller and benefits to the buyer.”

- American Marketing Association

“Personal selling consists of individual, personal communication, in contrast to mass relatively impersonal communication of advertising, sales promotion and other promotional tools.”

- Professor William Stanton

Modern concept of Personal Selling or Salesmanship

The old concept of salesmanship aimed at showing the goods to the customers, procuring order and receiving payment. No efforts were made to educate and persuade the customers. The modern concept of salesmanship is based on the idea of service. The aim now is to create demand for the product, educate the customers about the traits and uses of product and persuade the buyers to go for it. The problem solving approach is the main thrust of modern salesmanship.

Methods of personal selling

A firm chooses one or more of the five following methods of selling which are in vogue in the process of selling.

1. Selling across the table: This is selling method under which the firm's sales executives or salesmen negotiate the sales or the sales transactions across the table by inviting the prospective buyers either at the company premises or appointed specific place of meeting mostly hotels.

2. Selling at the counter: It is the most common method under which the company salesmen sell the products of the company in the retail shop owned by it. Salesmen attached to a particular counter attends to the buyers visiting the shop, demonstrates the product, supplies all the information needed by the customer, participate in the decision making process on behalf of the customer so that the customer makes up his mind to buy the product so talked and demonstrated about. In effect, about 75% of the total sales turnover takes routes through this method.

3. Selling at the doorstep: Instead of welcoming the customer at the company retail outlets, the salesman or sales-girls call on the prospective buyers at their residences or offices and explore the possibilities of selling their products.

4. Auction selling: Auction selling is a method of sale under which the company sales executive or salesman invites the prospective buyers at appointed place and time- may be in the company premises or some other common place of meeting. The salesman asked

the group to quote their rates after giving them the opportunity of examining the products offered for sale.

5. Tender selling: Tender selling is a method of sale in which the company invites that tenders from the respective buyers through an advertisement requesting the intending buyers to submit their offers of purchase in respect of products meant for sales. The company sells the products to the buyer who offers the most profitable price and meets their company conditions regarding sale.

Publicity

Publicity is a major element of public relations. It is a form of promotion that is not paid for directly. The responsibility usually rests with the public relations director who maintains or create favorable image of the organization and in products and services. The non paid expect of publicity pertains only to the placement of the message.

“Publicity is any communication about an organization, its products or policies through the media not paid for by the organization.”- **Professor William J. Stanton**

“Publicity the communication of a product or business by placing information about it in the media without paying for time or place directly.”- Mr. Fitzgerald M.

Basic characteristics of publicity

The characteristics of publicity are :

- 1. The message has high degree of credibility:** The publicity message has greater degree of credibility than advertising because it appears to the reader or the listener to have been written independently by a media person rather than by an advertiser.
- 2. No direct media cost:** As space all time in the media does not have to be bought, there is no direct media cost.
- 3. No control over Publication:** Unlike advertising, there is no guarantee that the new items will be published. This decision is taken out of the control of the organization and

into the hands of an editor.

Public Relations (PR)

The phrase public relations has two words namely, 'public' and 'relations'. A public is a group of individuals having similar or common interests; an association of persons having the same interests, problems, circumstances, Expectations and goals. It is generally such sources that opinions emanate. Public is a varied creature that comes in many forms and sizes. It has multitude of wants and desires. Public has its likes and dislikes- sometimes even very strong likes and dislikes. In this sense 'publics' are customers, employees, suppliers, lenders, shareholders, special interest groups, government, middlemen and so on.

By integrating these two elements namely, public and relations, one gets 'public relations'- a profession forming part and parcel of managerial function.

"Public Relations is a combination of philosophy, sociology, economics, language, psychology, journalism, communication and other knowledge into a system of human understanding.

- Mr. Herbert M. Baus

"Public Relations practice is the planned and sustained efforts to establish and maintain goodwill and mutual understanding between an organization and its public."

- Institute of Public Relations, India