An Introduction to Marketing

What is a Market?

Traditional Meaning

The term 'market' refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services. It is in this sense that this term is being used in day to day language, even today. The other ways in which this term is being used is in the context of a **product market** (cotton market, gold or share market), **geographic market** (national and international market), **type of buyers** (consumer market and industrial market) and the **quantity of goods transacted** (retail market and wholesale market).

Modern Meaning

In modern marketing sense, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service. For example, when a fashion designer designs a new dress and offers it for exchange, all the people who are willing to buy and offer some value for it can be stated to be the market for that dress. Similarly, market for fans or bicycles or electric bulbs or shampoos refers to all the actual and potential buyers for these products.

What is Marketing?

Traditional Meaning

Traditionally marketing has been described in terms of its functions or activities. In this respect, marketing has been referred to as performance of business activities that direct the flow of **goods** and **services** from producers to consumers.

To move the goods and services from producers to consumers, number of activities such as product designing or merchandise, packaging, warehousing, transportation, branding, selling, advertising and pricing are required by manufacturing firms.

Thus, 'merchandising', 'selling' and 'shopping' are all part of a large number of activities undertaken by a firm, which are collectively called **marketing**.

Marketing is not merely a post-production activity. It includes many activities that are performed even before goods are actually produced and continue even after the goods have been sold. For example, activities such as identification of customer needs, collection of information for developing the product, designing suitable product package and giving it a brand name are performed before commencement of the actual production. Similarly, many follow up activities are required for maintaining good customer relations for procuring repeat sale.

Modern Meaning

In modern times, emphasis is placed on describing marketing as a social process. It is a process whereby people exchange goods and services for money or for something of value to them. Taking the social perspective, **Phillip Kolter** has defined marketing as, "a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others".

Thus, marketing is a social process where in people interact with others, in order to persuade them to act in a particular way, say to purchase a product or a service, rather than forcing them to do so.

What are the important features of marketing?

A careful analysis of the definition given above shows the following important features of marketing:

(i) Need and Want

The focus of the marketing process is on satisfaction of the needs and wants of individuals and organisations.

A **need** is a state of felt deprivation or feeling of being deprived of something. If unsatisfied, it leaves a person unhappy and uncomfortable. For example, on getting hungry, we become uncomfortable and start looking for objects that are capable of satisfying our hunger.

Human needs shaped by such factors as culture, personality and religion are called **wants**. A basic need for food, for example, may take various forms such as want for *dosa* and *rice* for a South Indian and *chapatti* and *vegetables* for a North Indian person.

A marketer's job in an organisation is to identify needs of the target customers and develop products and services that satisfy such needs.

(ii) Creating a Market Offering

Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc; at a certain price; available at a given outlet or location and so on. Let us say the offer is for a cell phone, available in four different versions, on the basis of certain features such as size of memory, television viewing, internet, camera, etc., for a given price, say between Rs. 5,000 and Rs. 20,000 (depending on the model selected), available for sale at say firm's exclusive shops in and around all metropolitan cities in the country. A good 'market offer' is the one which is developed after analysing the needs and preferences of the potential buyers.

(iii) Customer Value

A product will be purchased only if it is perceived to be giving greatest benefit or value for the money. The job of a marketer, therefore, is to add to the value of the product so that the customers prefer it in relation to the competing products and decide to purchase it.

(iv) Exchange Mechanism

The process of marketing works through the exchange mechanism.

The process of marketing involves exchange of products and services for money or something considered valuable by the people.

Exchange refers to the process through which two or more parties come together to obtain the desired product or service from someone, offering the same by giving something in return. For example, a person feeling hungry may get food by offering to give money or some other product or service in return to someone who is willing to accept the same for food. In the modern world, goods are produced at different places and are distributed over a wide geographical area through various middlemen, involving exchanges at different levels of distribution. Exchange is, therefore, referred to as the essence of marketing. For any exchange to take place, it is important that the following conditions are satisfied:

(i) Involvement of at least two parties viz., the buyer and the seller.

(ii) each party should be capable of offering something of value to the other. For example, the seller offers a product and the buyer, money.

(iii) each party should have the ability to communicate and deliver the product or service. No exchange can take place if the buyers and sellers are not able to communicate with each other or if they can not deliver something of value to the other.

(iv) each party should have freedom to accept or reject other party's offer.

(v) the parties should be willing to enter into transaction with each other. Thus, the acceptance or rejection of the offer takes place on voluntary basis rather than on the bases of any compulsion.

The points listed above are the necessary conditions for an exchange to take place. Whether the exchange actually takes place or not depends on the suitability of the act of exchange to both the parties, whether it makes the parties better off or at least not worse off.

Another important point to be noted is that Marketing is not merely a business phenomena or confined only to business organisations. Marketing activities are equally relevant to non-profit organisations such as hospitals, schools, sports clubs and social and religious organisations. It helps these organisations in achieving their goals such as spreading the message of family planning, improving the literacy standards of people and providing medication to the sick.

What can be marketed?

Anything that is of value to the other can be marketed. It can be product or a service or a person or a place or an idea or an event or an organisation or experience or properties.

Product: A product is a 'bundle of utilities' or 'source of satisfaction', that can be used to satisfy human needs and wants. It is not confined to physical objects, such as motor cycle, biscuit, bulb and pencil but also refers to other things of value such as services, ideas, places, etc., that can be offered to the potential buyers for their use. In the marketing literature, anything that can be of value to the buyer can be termed as a 'product'. It can be tangible, i.e., which can be felt, seen and touched physically such as a pencil, a cycle or an intangible such as services rendered by a doctor, hairdresser or a lawyer.

Service, Person, Idea, Place etc: Apart from the product, what can be marketed is a service or a person (say political parties persuading to vote for a particular candidate) or an idea (say Red Cross persuading to donate blood) or a place (say Kerala Tourism persuading people to visit Kerala for health tourism).

Who is a marketer?

Marketer refers to any person who takes more active part in the process of exchange. Normally it is the seller who is more active in the exchange process as he/ she analyses the needs of the potential buyers, develops a market offering and persuades the buyers to buy the product. However, there may be certain situations where the buyer may be taking more active role in the exchange process. Let us say in situations of rare supply, the buyer may be taking extra efforts in persuading the seller to sell the product to him/ her. This may be happening in defence deals or take a situation where a country having installed a nuclear plant needs the supply of nuclear fuel or 'Heavy Water'. It may need to convince the supplier of the products to supply the same to it, by promising that it will be used for peaceful purposes only. In this case, the buyer will be treated as the marketer. Thus, any body, who takes more active role in the exchange process will be taken as the marketer.

What is Marketing Management?

Marketing management means management of the marketing function. In other words, marketing management refers to planning, organising, directing and control of the activities which facilitate exchange of goods and services between producers and consumers or users of products and services. Thus the focus of marketing management is on achieving desired exchange outcomes with the target markets. Taking a management perspective, the term marketing has been defined as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals" by American Management Association, similarly Philip Kotler has defined Marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

What is the process of marketing management?

The process of management of marketing involves:

(i) Choosing a target market, say a manufacturer may choose to make readymade garments for children up to the age of 5 years;

(ii) In respect of the target market chosen, the focus of the process of management is on getting, keeping as well as growing the customers. That means the marketer has to create demand for his products so that the target customers purchase the product, keep them satisfied with the firm's products and also attract more customers to the firm's products so that the firm can grow; and

(iii) The mechanism for achieving the objective is through creating, developing and communicating superior values for the customers. That means, the primary job of a marketing manager is to create superior values so that the customers are attracted to the products and services and communicate these values to the prospective buyers and persuade them to buy these products.

Marketing management involves performance of various functions such as analysing and planning the marketing activities, implementing marketing plans and setting control mechanism. These functions are to be performed in such a way that organisation's objectives are achieved at the minimum cost.

Marketing management generally is related to creation of demand. However, in certain situations, the manager has to restrict the demand. For example, if there is a situation of 'overfull demand', i.e., the demand being more than what the company can or want to handle, (like what the situation in our country was before the adoption of policies of liberalisation and globalisation, in early 90's, in most consumer products be it automobiles or electronics goods or other durable products. The job of marketing mangers, in these situations would be to find ways to reduce the demand temporarily by say reducing the expenditure on promotion or increasing the prices. Similarly, if the demand is 'irregular', such as in case of seasonal products, (say fans, woollen clothes) the marketer's job is to change the time pattern of demand through such methods as providing short-term incentives, to the buyers. Thus, the marketing management in not only concerned with creating demand but with managing the demand effectively, as per the situation in the market.

Disscuss the difference between Marketing and Selling.

Many people confuse 'selling' for 'marketing'. They consider these two terms as one and the same. Marketing refers to a large set of activities of which selling is just one part.

The major differences between selling and marketing are listed as below:

(i) **Part of the Process vs Wider Term:** Selling is only a part of the process of marketing and is concerned with promoting and transferring possession and ownership of goods from the seller to the buyer. Marketing is a much wider term consisting of number of activities such as identification of the customer's needs, developing the products to satisfy these needs, fixing prices and persuading the potential buyers to buy the same. Thus, selling is merely a part of marketing.

ii) **Transfer of T itle vs Satisfying Customer Needs:** The main focus of selling is on affecting transfer of title and possession of goods from sellers to consumers or users. In contrast, marketing activities put greater thrust on achieving maximum satisfaction of the customer's needs and wants.

(iii) **Profit through Maximising Sales vs Customer Satisfaction:** All selling activities are directed at maximising sales and, thereby, the profits of the firm. In other words, the emphasis is on profit maximisation through maximisation of sales. Marketing, on the other hand, is concerned with customer satisfaction and thereby increasing profit in the long run. A marketing organisation, thus, attaches highest importance to customer satisfaction as a route to profit maximisation.

(iv) **Start and End of the Activities:** Selling activities start after the product has been developed while marketing activities start much before the product is produced and continue even after the product has been sold.

(v) **Difference in the Emphasis:** In selling, the emphasis is on bending the customer according to the product while in marketing, the attempt is to develop the product and other strategies as per the customer needs.

(vi) **Difference in the Strategies:** Selling involves efforts like promotion and persuasion while marketing uses integrated marketing efforts involving strategies in respect of product, promotion, pricing and physical distribution.

What are the marketing management philosophies?

In order to achieve desired exchange outcomes with target markets, it is important to decide what philosophy or thinking should guide the marketing efforts of an organisation. An understanding of the philosophy or the concept to be adopted is important as it determines the emphasis or the weightage to be put on different factors, in achieving the organisational objectives. For example, whether the marketing efforts of an organisation will focus on the product—say designing its features etc or on selling techniques or on customer's needs or the social concerns.

The concept or philosophy of marketing has evolved over a period of time, and is discussed as follows.

1. Production Concept

During the earlier days of industrial revolution, the demand for industrial goods started picking up but the number of producers were limited. As a result, the demand exceeded the supply. Selling was no problem. Anybody who could produce the goods was able to sell. The focus of business activities was, therefore, on production of goods. It was believed that profits could be maximised by producing at large scale, thereby reducing the average cost of production. It was also assumed that consumers would favour those products which were widely available at an affordable price. Thus, availability and affordability of the product were considered to be the key to the success of a firm. Therefore, greater emphasis was placed on improving the production and distribution efficiency of the firms.

2. Product Concept

As a result of emphasis on production capacity during the earlier days, the position of supply increased over period of time. Mere availability and low price of the product could not ensure increased sale and as such the survival and growth of the firm. Thus, with the increase in the supply of the products, customers started looking for products which were superior in quality, performance and features. Therefore, the emphasis of the firms shifted from quantity of production to quality of products. The focus of business activity changed to bringing continuous improvement in the quality, incorporating new features etc. Thus, product improvement became the key to profit maximisation of a firm, under the concept of product orientation.

3. Selling Concept

With the passage of time, the marketing environment underwent further change. The increase in the scale of business further improved the position with respect to supply of goods, resulting in increased competition among sellers. The product quality and availability did not ensure the survival and growth of firms because of the large number of sellers selling quality products. This led to greater importance to attracting and persuading customers to buy the product. The business philosophy changed. It was assumed that the customers would not buy, or not buy enough, unless they are adequately convinced and motivated to do so. Therefore, firms must undertake aggressive selling and promotional efforts to make customers buy their products. The use of promotional techniques such as advertising, personal selling and sales promotion were considered essential for selling of products. Thus, the focus of business firms shifted to pushing the sale of products through aggressive selling techniques with a view to persuade, lure or coax the buyers to buy the products. Making sale through any means became important. It was assumed that buyers can be manipulated but what was forgotten was that in the long run what matters most is the customer satisfaction, rather than anything else.

4. Marketing Concept

Marketing orientation implies that focus on satisfaction of customer's needs is the key to the success of any organisation in the market. It assumes that in the long run an organisation can achieve its objective of maximisation of profit by identifying the needs of its present and prospective buyers and satisfying them in an effective way. All the decisions in a firm are taken from the point of view of the customers. In other words, customer's satisfaction become the focal point of all decision making in the organisation. For example, what product will be produced, with what features and at what price shall it be sold, or where shall it be made available for sale will depend on what do the customers want. If the customers want features like double door in a refrigerator or a separate provision for water cooler in it, the organisation would produce a refrigerator with these features, would price it at a level which the customers are willing to pay and so on. If all marketing decisions are taken with this prospective, selling will not be any problem. It will automatically follow. The basic role of a firm then is to 'identify a need and fill it'. The concept implies that products ad-services are bought not merely because of their quality, packing or brand name, but because they satisfy a specific need of a customer. A pre-requisite for the success of any organisation, therefore, is to understand and respond to customer needs.

To sum up, the marketing concept is based on the following pillars:

(i) Identification of market or customer who are chosen as the target of marketing effort.
(ii) Understanding needs and wants of customers in the target market.
(iii) Development of products or services for satisfying needs of the target market.
(iv) Satisfying needs of target market better than the competitors.
(v) Doing all this at a profit.

Thus, the focus of the marketing concept is on customer needs and the customer satisfaction becomes the means to achieving the firms' objective of maximising profit. The purpose of marketing is to generate customer value at a profit.

5. The Societal Marketing Concept

The marketing concept, as described in the preceeding section cannot be considered as adequate if we look at the challenges posed by social problems like environmental pollution, deforestation, shortage of resources, population explosion and inflation. It is so because any activity which satisfies human needs but is detrimental to the interests of the society at large cannot be justified. The business orientation should, therefore, not be short-sighted to serve only consumers' needs. It should also consider large issues of long-term social welfare, as illustrated above.

The societal marketing concept holds that the task of any organisation is to identify the needs and wants of the target market and deliver the desired satisfaction in an effective and efficient manner so that the long-term well-being of the consumers and the society is taken care of. Thus, the societal marketing concept is the extension of the marketing concept as supplemented by the concern for the long-term welfare of the society. Apart from the customer satisfaction, it pays attention to the social, ethical and ecological aspects of marketing. There are large number of such issues that need to be attended.

What are the functions of marketing?

Marketing is concerned with exchange of goods and services from producers to consumers or users in such a way that maximises the satisfaction of customers' needs. From the view point of management function, number of activities are involved, which have been described as below:

1. Gathering and Analysing Market Information: One of the important functions of a marketer is to gather and analyse market information. This is necessary to identify the needs of the customers and take various decisions for the successful marketing of the products and services. This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation and help in deciding what opportunities can best be pursued by it. For example, rapid growth is predicted in several areas in the Indian economy, say in the use of internet, market for Cell phones and several other areas. Which of these areas a particular organisation should enter or in which area should it expand requires a careful scanning of the strengths and, weaknesses of the organisation, which is done with the help of careful market analysis.

2. Marketing Planning: Another important activity or area of work of a marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. For example a marketer of colour TVs, having 10 per cent of the current market share in the country aims at enhancing his market share to 20 per cent, in the next three years. He will have to develop a complete marketing plan covering various important aspects including the plan for increasing the level of production, promotion of the products, etc. and specify the action programmes to achieve these objectives.

3. Product Designing and Development: Another important marketing activity or decision area relates to product designing and development. The design of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and also give it a competitive advantage in the market. For example, when we plan to buy any product say a motorbike, we not only see its features like cost, mileage, etc. but also the design aspects like its shape, style, etc.

4. Standardisation and Grading: Standardisation refers to producing goods of predetermined specifications, which helps in achieving uniformity and consistency in the output. Standardisation ensures the buyers that goods conform to the predetermined standards of quality, price and packaging and reduces the need for inspection, testing and evaluation of the products.

Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc. Grading is particularly necessary for products which are not produced according to predetermined specifications, such as in the case of agricultural products, say wheat, oranges, etc. Grading ensures that goods belong to a particular quality and helps in realising higher prices for high quality output.

5. Packaging and Labelling: Packaging refers to designing the package for the products. Labelling refers to designing the label to be put on the package. Label may vary from a simple tag to complex graphics.

Packaging and labelling have become so important in modern day marketing that these are considered as the pillars of marketing. Packaging is important not only for protection of the products but also serves as a promotional tool. Sometimes, the quality of the product is assessed by the buyers form packaging. We have seen that in the success of many of the consumer brands in recent times such as *Lays* or *Uncle Chips* potato wafers *Clinic Plus* shampoos, and *Colgate Toothpaste*, etc., packaging has played an important role.

6. Branding: A very important decision area for marketing of most consumer products is whether to sell the product in its generic name (name of the category of the product, say Fan, Pen, etc.) or to sell them in a brand name (such as Pollar Fan or Rottomac Pen). Brand name helps in creating product differentiations, i.e., providing basis for distinguishing the product of a firm with that of the competitor, which in turn, helps in building customer's loyality and in promoting its sale. The important decision areas in respect of branding include deciding the branding strategy, say whether each product will be given a separate brand name or the same brand name will be extended to all products of the company, say Phillips Bulbs, Tubes and Television or Videocon Washing Machine, Television, and Refrigerator. Selection of the brand name plays important role in the success of a product.

7. Customer Support Services: A very important function of the marketing management relates to developing customer support services such as after sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information. All these services aim at providing maximum satisfaction to the customers, which is the key to marketing success in modern days. Customer support services prove very effective in bringing repeat sales from the customers and developing brand loyality for a product.

8. Pricing of Products: Price of product refers to the amount of money customers have to pay to obtain a product. Price is an important factor affecting the success or failure of a product in the market. The demand for a product or service is related to its price. Generally lower the price, higher would be the demand for the product and vice-versa. The marketers have to properly analyse the factors determining the price of a product and take several crucial decisions in this respect, including setting the pricing objectives, determining the pricing strategies, determining the price and changing the prices.

9. Promotion: Promotion of products and services involves informing the customers about the firm's product, its features, etc. and persuading them to purchase these products. The four important methods of promotion include advertising, Personal Selling, Publicity and Sales Promotion. A marketer has to take several crucial, decisions in respect of promotion of the products and services such as deciding the promotion budget, the promotion mix, i.e., the combination of the promotional tools that will be use, the promotion budget, etc.

10. Physical Distribution: Managing physical distribution is another very important function in the marketing of goods and services. The two major decision areas under this function include (a) decision regarding channels of distribution or the marketing intermediaries (like whole salers, retailers) to be used and (b) physical movement of the product from where it is produced to a place where it is required by the customers for their consumption or use. The important decision areas under physical distribution include managing inventory (levels of stock of goods), storage and warehousing and transportation of goods from one place to the other.

11. Transportation: Transportation involves physical movement of goods from one place to the other. As generally the users of products, particularly consumer products are wide spread and geographically separated from the place these are produced, it is necessary to move them to the place where it is needed for consumption or use, For example, tea produced in Assam has to be transported not only within the state but to other far off places like Tamil Nadu, Punjab, Jammu and Kashmir and Haryana, Rajasthan, where it is consumed.

A marketing firm has to analyse its transportation needs after taking into consideration various factors such as nature of the product, cost and location of target market and take decisions in respect of mode of transportation to be chosen and other related aspects.

12. Storage or Warehousing: Usually there is a time gap between the production or procurement of goods and their sale or use. It may be because of irregular demand for the products such as in the case of woollen garments or Raincoats or there may be irregular supply because of seasonal production such as in the case of agricultural products (sugarcane, rice, wheat, cotton, etc.). In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further, there is a need for storage of adequate stock of goods to protect against unavoidable delays in delivery or to meet out contingencies in the demand. In the process of marketing, the function of storage is performed by different agencies such as manufacturers, wholesalers and retailers.

What is the role of marketing?

All marketing organisations operate either to earn profit or pursue some other goals such as community service, improvement of quality of life or promotion of a cause, say UNICEF working for the welfare of children or 'Helpage' working for the cause of senior citizens. Whether it is a profit organisation or a non-profit organisation, marketing plays an important role in achieving its objectives. It helps the individual consumers in raising their standard of living by making available the products and services that satisfy their needs and wants. It also plays a significant role in the economic development of a nation. The role of marketing in different situations may be described in brief as follows.

1. Role in a Firm

The modern concept of marketing plays a significant role in achieving the objectives of a firm. It emphasises that customer satisfaction is the key to the survival and growth of an organisation in the contemporary competitive marketing environment. By adopting marketing orientation, an organisation whether profit making or non-profit making, can achieve its goals in the most effective manner. It helps in focusing the activities of an organisation on the needs and wants of the customers. For example, what products or services will be marketed by a firm will depend upon what do its customers need. Thus, an analysis of the needs of the customers shall be undertaken in order to decide what to produce and sell. The product will then be designed according to the needs of the potential buyers and be made available through the outlets convenient to customers and be priced at a level which the target customers can afford. In other words, marketing as a business philosophy helps in serving the customers by satisfying their needs. It is a well known fact that a satisfied customer is the most valuable asset of any firm. Thus, marketing plays a crucial role in the survival and growth of a firm.

2. Role in the Economy

Marketing plays a significant role in the development of an economy. It acts as a catalyst in the economic development of a country and helps in raising the standards of living of the people.

Development of a nation can be judged by the level of standard of living of its people. Another important criteria, which is related to the first one, is the per capita income of an average citizen of a country. On this basis, an underdeveloped country may be stated to be one which is characterised by factors like poverty, scarcity of goods and services, predominance of agriculture, etc.

Marketing can play a significant role in the economic development of a nation. It can inspire people to undertake new activities and to set up enterprises for producing goods that are needed by the customers. Marketing can help in overcoming obstacles posed by high prices due to imbalances in the levels of production and consumption. It can also ensure smooth flow of goods through efficient physical distribution arrangements.

In other words, marketing can help in finding out right type of products and services that a firm should manufacture, the places where it should make such products available for sale, the price at which the products should be sold and the channels that should be used for moving the products to the ultimate place of consumption or use. This linkage between the business and consumption centres, accelerates the economic activity leading to higher incomes, more consumption and increased savings and investment.

What is Marketing Mix?

As stated in an earlier section, the process of marketing involves creating a market offering, to satisfy the needs and wants of the present and potential buyers. The real question is how to create a market offering. Let us say a profitable business opportunity is seen by some firm in the field of producing soft drinks. To develop and market a new brand of soft drinks, a number of important decisions will have to be taken for example whether to go for any collaboration with a foreign manufacturer of soft drinks, whether to produce for the local market or for a wider market, what will be the features of the new product, and so on.

There are large number of factors affecting marketing decisions. These can broadly be divided into two categories: (i) controllable factors, and (ii) non-controllable factors. Controllable factors are those factors which can be influenced at the level of the firm. In the previous illustration, for example, whether the drink will be packed in glass bottles or plastic cans; what will be the name (brand name) of the drink; at what price it will be sold, (at par with the price at which other competitive brands are sold or below it or above it); what distribution network will be used to make the product available (e.g., hotels, restaurants, groceries shops, kiosks selling cigarette, *paan*, etc.) to the buyers whether the new soft drink will be promoted by putting up advertisements in newspaper or magazine or on radio or television; or say if newspaper, whether in a local newspaper or a national daily; whether in a paper of regional language or an English daily, etc. is decided at the level of marketing manager of the firm.

However, there are certain other factors which affect the decision but are not controllable at the firm's level. These are called environmental variables. For example, the political factors such as the government policy on whether to allow any technical or financial collaboration in the area of soft drinks, production or economic factors such as rate of inflation prevailing in a given period or a credit policy of the central bank affecting the total availability of money in the market, all of which affect the sale of a particular product but can not be controlled or influenced by the decisions at the level of a firm. To be successful, the decisions regarding 'controllable factors' are to be taken keeping the environmental variables into consideration.

The controllable variables become marketing tools, which are constantly shaped and reshaped by marketing managers, to achieve marketing success. For example a firm can reshape a market offering by bringing in a change in any of the variable under its own control say introducing a change in the price or promotion offer or product features or channel used to make the product available to buyers. Thus, from a number of alternatives available a firm chooses a particular combination to develop a market offering. The combination of variables chosen by a firm to prepare its market offering is also called marketing mix. Thus, marketing mix is described as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.

What are the elements of marketing mix?

Four Ps

The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as **four Ps** of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion, and are discussed as follows:

1. Product: Product means goods or services or 'anything of value', which is offered to the market for exchange. For example, Hindustan Lever company offers number of consumer products like toiletries (Close-Up Toothpaste, Lifebuoy Soap, etc.), detergent powder (Surf, Wheel), food products (Refined Vegetable Oil); Tata offers Tata Steel, Trucks, Salt and a large number of other products; LG Electronics Offers Televisions, Refrigerators, Colour Monitors for Computers, etc; Amul offers number of food products (Amul Milk, Ghee, Butter, Cheese, Chocolates, etc.).

The concept of product relates to not only the physical product as mentioned in the above examples but also the benefits offered by it from customer's view point (for example toothpaste is bought for whitening teeth, strengthening gums, etc.). The concept of product also include the extended product or what is offered to the customers by way of after sales services, handling complaints, availability of spare parts etc. These aspects are very important, particularly in the marketing of consumer durable products (like Automobiles, Refrigerators, etc.). The important product decisions include deciding about the features, quality, packaging, labelling and branding of the products.

2. Price: Price is the amount of money customers have to pay to obtain the product. In case of most of the products, level of price affects the level of their demand. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm's products. Decisions have also to be taken in respect of discounts to customers, traders and credit terms, etc. so that customers perceive the price to be in line with the value of the product.

3. Place: Place or Physical Distribution include activities that make firm's products available to the target customers. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries (by way of discounts, promotional campaigns, etc.). The intermediaries in turn keep inventory of the firm's products, demonstrate them to potential buyers, negotiate price with buyers, close sales and also service the products after the sale. The other decision areas relate to managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers.

4. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc. of the products to the target customers and persuade them to buy it. Most marketing organisations, undertake various promotional activities and spend substantial amount of money on the promotion of their goods through using number of tools such as advertising, personal selling and sales promotion techniques (like price discounts, free samples, etc.). A large number of decisions are to be taken in each of the area specified above. For example, in the respect of advertising it is important to decide about the message, the media to be used (example print-media–newspaper, magazines, etc. the objections of customers, etc.).

The success of a market offer will depend on how well these ingredients are mixed to create superior value for the customers and simultaneously achieve their sale and profit objectives. Let us say a firm would like to achieve necessary volume of sale at a cost that will permit a desired level of profit. But so many alternative mixes can be adopted by a firm to achieve this objectives. The issue before a firm then is to decide what would be the most effective combination of elements to achieve the given objectives.

Seven Ps

As well as the standard four P's (Product, Pricing, Promotion and Place), services marketing calls upon an extra three, totaling seven and known together as the extended marketing mix. These are:

People: Any person coming into contact with customers can have an impact on overall satisfaction. Whether as part of a supporting service to a product or involved in a total service, people are particularly important because, in the customer's eyes, they are generally inseparable from the total service . As a result of this, they must be appropriately trained, well motivated and the right type of person. Fellow customers are also sometimes referred to under 'people', as they too can affect the customer's service experience, (e.g., at a sporting event).

Process: This is the process(es) involved in providing a service and the behaviour of people, which can be crucial to customer satisfaction.

Physical evidence: Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. This, therefore, means that potential customers could perceive greater risk when deciding whether to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. This is done by providing physical evidence, such as case studies, testimonials or demonstrations.

Four New Ps

Personalization: It is here referred customization of products and services through the use of the Internet. Early examples include Dell on-line and Amazon.com, but this concept is further extended with emerging social media and advanced algorithms. Emerging technologies will continue to push this idea forward.

Participation: This is to allow customer to participate in what the brand should stand for; what should be the product directions and even which ads to run. This concept is laying the foundation for disruptive change through democratization of information.

Peer-to-Peer: This refers to customer networks and communities where advocacy happens. The historical problem with marketing is that it is "interruptive" in nature, trying to impose a brand on the customer. This is most apparent in TV advertising. These "passive customer bases" will ultimately be replaced by the "active customer communities". Brand engagement happens within those conversations. P2P is now being referred as Social Computing and is likely to be the most disruptive force in the future of marketing.

Predictive modeling: This refers to algorithms that are being successfully applied in marketing problems (both a regression as well as a classification problem).

1. PRODUCT

What is Product?

In common parlance, the word 'product', is used to refer only to the physical or tangible attributes of a product. For example, we say we have bought a car or a pen or a Cell phone or a tractor.

Our decision to buy a product is not only affected by its physical qualities, but also by certain nontangible and psychological factors, e.g., brand name, reputation, guaranty, packaging etc.

Thus, in marketing, product is a mixture of tangible and intangible attributes, which are capable of being exchanged for a value, with ability to satisfy customer needs. Besides physical objects, we also include services, ideas, persons, and places in the concept of product. Thus, product may be defined as anything that can be offered to a market to satisfy a want or need. It is offered for attention, acquisition, use or consumption.

From the customer's point of view, a product is a bundle of utilities, which is purchased because of its capability to provide satisfaction of certain need. A buyer buys a product or service for what it does for her or the benefit it provides to her. There can be three types of benefits a customer may seek to satisfy from the purchase of a product, viz., (i) functional benefits, (ii) psychological benefits, and (iii) social benefits. For example, the purchase of a motorcycle provides functional utility of transportation, but at the same time satisfies the need for prestige and esteem and provides social benefit by the way of acceptance from a group, by riding a motorbike. Thus, all these aspects should be considered while planning for a product.

It is customer for companies to review the progress of their present products and constantly look for opportunities of diversifying into never areas.

Classification of Product

Products may broadly be classified into two categories: (i) consumer products, and (ii) industrial products.

What are the consumer products?

Products, which are purchased by the ultimate consumers or users for satisfying their personal needs and desires are referred to as consumer products. For example, soap, edible oil, eatables, textiles, toothpaste, fans, etc. which we use for our personal and nonbusiness use are consumer goods.

The consumer products have been classified on the basis of two important factors: (A) the extent of shopping efforts involved, and (B) durability of the product. These have been explained as below:

A. Shopping Efforts Involved

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

1. Convenience Products: Those consumer products, which are purchased frequently, immediately and with least time and efforts are referred to as convenience goods. Examples of such products are cigarettes, ice creams, medicines, newspaper, stationery items toothpaste. etc. These products have low unit-value and are bought in small qualities. Some of the important characteristics of such products are:

(a) These products are purchased at convenient locations, with least efforts and time;
(b) Convenience products have a regular and continuous demand, as these generally come under the category of essential products;
(c) These products have small unit of purchase and low prices. For example the eggs are sold at Rs. 28 per dozen and the customers purchase them in small numbers;
(d) Convenience products have standardised price as most of these products are branded products;
(e) The competition in these products is high as the supply is greater than the demand. The marketers have, therefore, to heavily advertise for these products; and
(f) Sales promotion schemes or shortterm incentives such as sales contests, discount offers, etc play an important role in the marketing of such products.

2. Shopping Products: Shopping products are those consumer goods, in the purchase of which buyers devote considerable time, to compare the quality, price, style, suitability, etc., at several stores, before making final purchase. Some of the examples of shopping products are clothes, shoes, jewellery, furniture, radio, television, etc. The important characteristics of shopping products are as below:

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

3. Speciality Products: Speciality products are those consumer goods which have certain special features because of which people make special efforts in their purchase. These products are such, which have reached a brand loyalty of the highest order, with a significant number of buyers. The buyers are willing to spend a lot of time and efforts on the purchase of such products. For example, if there is a rare collection of artwork or of antiques, some people may be willing to spend a lot of shopping effort and travel long distance to buy such products. In our day-to-day life, we see people going to a particular hair-cutting saloon or restaurant, or a tailor. The demand for these goods is relatively inelastic, i.e., even if the price is increased, the demand does not come down. Some of the important characteristics of the speciality products may be summed up as follows:

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

(d) An aggressive promotion is required for the sale of speciality products, in order to inform people about their availability, features, etc.; and
(e) After sales services are very important for many of the speciality products.

B. Durability of Products

On the basis of their durability, the consumer products have been classified into three categories—Durable, Non-durable and Services.

1. Non-durable Products: The consumer products which are normally consumed in one or few uses are called non-durable products. For example, we purchase products like toothpaste, detergents, bathing soap and stationary products etc. From the marketing point of view, these products generally command a small margin, should be made available in many locations and need to be heavily advertised.

2. Durable Products: Those tangible consumer products which normally survive many uses, for example, refrigerator, radio, bicycle, sewing machine and kitchen gadgets are referred to as durable products. These goods are generally used for a longer period, command a higher per unit margin, require greater personal-selling efforts, guarantees and after sales services, on the part of the seller.

3. Services: The durable and nondurable goods are tangible in the sense that these have a physical existence and can be seen and touched. Services are intangible in form. By services we mean those activities, benefits or satisfactions, which are offered for sale, e.g., dry cleaning, watch repairs, hair cutting, postal services, services offered by a doctor, an architect and a lawyer. Some of the distinguishing characteristics of services are as follows:

(a) By their very nature, services are intangible, i.e., we can not see, feel or touch them;
(b) A service is inseparable from its source. That means we cannot separate the service from the person providing the service;
(c) The services cannot be stored. They are highly perishable. For example, if a tailor does not work for one week, the services he would have provided during such period go waste; and
(d) Services are highly variable as their type and quality depends on the person providing them. That is why, there is a difference in the extent of satisfaction we get from the services provided by different people.

What are the industrial products?

Industrial products are those products, which are used as inputs in producing other products. The examples of such products are raw materials, engines, lubricants, machines, tools, etc. In other words, industrial products are meant for nonpersonal and business use for producing other products.

The market for industrial products consists of manufacturers, transport agencies, banks and insurance companies, mining companies and public utilities.

What are the important characteristics of industrial products?

The important characteristics of industrial products are given below:

1. Number of Buyers: As compared to the consumer products, the numbers of buyers of industrial products are limited. For example, sugarcane is purchased by few producers of sugar, but sugar, which is a consumer product, is purchased by crores of people in our country.

2. Channel Levels: Because of limited number of buyers, the sale of industrial products is generally made with the help of shorter channels of distribution, i.e., direct selling or one level channel.

3. Geographic Concentration: Because of location of industries at certain points or regions, industrial markets are highly concentrated, geographically. For instance, the demand for power loom comes from Bombay, Sholapur, Bangalore, etc. where the textile industry is concentrated in our country.

4. Derived Demand: The demand for industrial products is derived from the demand for consumer products. For example, the demand for leather will be derived from demand for shoes and other leather products in the market.

5. Role of Technical Considerations: Technical considerations assume greater significance in the purchase of industrial products because these products are complex products, bought for use in business operations.

6. Reciprocal Buying: Some big companies from basic industries like oil, steel, rubber, and medicines resort to the practice of reciprocal buying. For example, Ashok Leyland may buy tyres and tubes from MRF, which in turn may buy trucks from Leyland, whenever it feels the need for the same.

7. Leasing Out: A growing trend in industrial product market is to lease out rather than to purchase the products on outright basis because of the heavy price of these products.

Classification of Industrial Goods

The industrial goods are classified into the following major categories:

(i) **Materials and Parts:** These include goods that enter the manufacture's products completely. Such goods are of two types: (a) Raw material: including farm products like cotton, sugar cane, oil seed and natural products such as minerals (say crude petroleum, iron ore), fish and lumber; and (b) manufactured material and parts. These are again of two types – component materials like glass, iron, plastic and component parts such as tyre, electric bulb, steering, and battery.

(ii) **Capital Items:** These are such goods that are used in the production of finished goods. These include: (a) installations like elevators, mainframe Computers, and (b) equipments like Hand Tools, Personal Computer, Fax Machines, etc.

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

What is Branding?

One of the most important decisions that a marketer has to take in the area of 'product' is in respect of branding. He has to decide whether the firm's products will be marketed under a brand name or a generic name. Generic name refers to the name of the whole class of the product. For example, a book, a wristwatch, tyre, camera, toilet soap, etc. We know that a camera is a lens surrounded by plastic or steel from all sides and having certain other features such as a flash gun and so on. Similarly book is a bunch of papers, which are in a bound form, on which some useful information about a subject is printed. Thus, all products having these characteristics would be called by the generic name such as camera or book.

If products were sold by generic names, it would be very difficult for the marketers to distinguish their products from that of their competitors. Thus, most marketers give a name to their product, which helps in identifying and distinguishing their products from the competitors' products. This process of giving a name or a sign or a symbol etc., to a product is called branding.

Various Terms Relating to Branding

The various terms relating to branding are as follows:

1. Brand: A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products—goods or services of one seller or group of sellers and to differentiate them from those of the competitors. For example, some of the common brands are Bata, Lifebuoy, Dunlop, Hot Shot, and Parker. Brand is a comprehensive term, which has two components—brand name and brand mark. For example, Asian Paints has the symbol of Gattu on its pack, which is its brand mark.

2. Brand Name: That part of a brand, which can be spoken, is called a brand name. In other words, brand name is the verbal component of a brand. For example, Asian Paints, Safola, Maggie, Lifebuoy, Dunlop, and Uncle Chips are the brand names.

3. Brand Mark: That part of a brand which can be recognised but which is not utter able is called brand mark. It appears in the form of a symbol, design, distinct colour scheme or lettering. For example, the Gattu of Asian Paints or Devil of Onida or symbol of Yogkshma of LIC, or four fingers and a palm of Anacin are all brand marks.

4. Trade Mark: A brand or part of a brand that is given legal protection is called trademark. The protection is given against its use by other firms. Thus the firm, which got its brand registered, gets the exclusive right for its use. In that case, no other firm can use such name or mark in the country.

What are the Advantages of Branding?

Though branding adds to the cost e.g., to the cost of packaging, labelling, legal protection, and promotion, it provides several advantages to the sellers as well as the consumers.

Advantages to the Marketers

(i) **Enables Marking Product Differentiation:** Branding helps a firm in distinguishing its product from that of its competitors. This enables the firm to secure and control the market for its products.

(ii) **Helps in Advertising and Display Programmes:** A brand aids a firm in its advertising and display programmes. Without a brand name, the advertiser can only create awareness for the generic product and can never be sure of the sale for his product.

(iii) **Differential Pricing:** Branding enables a firm to charge different price for its products than that charged by its competitors. This is possible because if customers like a brand and become habitual of it, they do not mind paying a little higher for it.

(iv) **Ease in Introduction of New Product:** If a new product is introduced under a known brand, it enjoys the reflected glory of the brand and is likely to get off to an excellent start. Thus, many companies with established brand names decide to introduce new products in the same name. For example, Food Specialties Ltd. had a successful brand Maggie (Noodles), it extended this name to many of its new products introduced such as Tomato Ketchup, Soups, etc. Similarly Samsung extended the brand name of its Television to Washing Machines and other durable products, like Microwave oven.

Advantages to Customers

(i) **Helps in Product Identification:** Branding helps the customers in identifying the products. For example, if a person is satisfied with a particular brand of a product, say tea leaves or detergent soap, he need not make a close inspection every time, he has to buy that product. Thus, branding greatly facilitates repeat purchase of the products.

(ii) **Ensures Quality:** Branding ensures a particular level of quality of the product. Thus, whenever there is any deviation in the quality, the customers can have recourse to the manufacturer or the marketer. This builds up confidence of the customers and helps in increasing his level of satisfaction.

(iii) **Status Symbol:** Some brands become status symbols because of their quality. The consumers of those brands of products feel proud of using them and adds to the level of satisfaction of the customers.

What are the characteristics of good brand name?

Choosing the right brand name is not an easy decision. What makes this decision important is the fact that once a brand name is chosen and the product is launched in the market, changing the brand name is very difficult. So, getting it right the first time is very essential. Following are some of the considerations, which should be kept in mind while choosing a brand name.

(i) The brand name should be short, easy to pronounce, spell, recognise and remember e.g., Ponds, VIP, Rin, Vim, etc.

(ii) A brand should suggest the product's benefits and qualities. It should be appropriate to the product's function. e.g., Rasika, Genteel, Promise, My Fair Lady and Boost.

(iii) A brand name should be distinctive e.g., Liril, Sprit, Safari, Zodiac.

(iv) The brand name should be adaptable to packing or labelling requirements, to different advertising media and to different languages.

(v) The brand name should be sufficiently versatile to accommodate new products, which are added to the product line e.g., Maggie, Colgate.

(vi) It should be capable of being registered and protected legally.

(vii) Chosen name should have staying power i.e., it should not get out of date.

What is Packaging?

Packaging refers to the act of designing and producing the container or wrapper of a product. Packaging plays a very important role in the marketing success or failure of many products, particularly the consumer non-durable products. In fact if one makes an analysis of the reasons for the success of some of the successful products in the recent past, it can be noted that packaging has played its due role. For example, it was one of the important factors in the success of products like Maggie's Noodles, Uncle Chips or Crax wafers.

Levels of Packaging

There can be three different levels of packaging. These are as below:

1. Primary Packaging: It refers to the product's immediate container. In some cases, the primary package is kept till the consumer is ready to use the product (e.g., plastic packet for socks); whereas in other cases, it is kept throughout the entire life of the product (e.g., a toothpaste tube, a match box, etc.).

2. Secondary Packaging: It refers to additional layers of protection that are kept till the product is ready for use, e.g., a tube of shaving cream usually comes in a card board box. When consumers start using the shaving cream, they will dispose off the box but retain the primary tube.

3. Transportation Packaging: It refers to further packaging components necessary for storage, identification or transportation. For example a toothpaste manufacturer may send the goods to retailers in corrugated boxes containing 10, 20, or 100 units.

Importance of Packaging

Packaging has acquired great significance in the marketing of goods and services, because of following reasons:

(i) **Rising Standards of Health and Sanitation:** Because of the increasing standards of living in the country, more and more people have started purchasing packed goods as the chances of adulteration in such goods are minimised.

(ii) **Self Service Outlets:** The self-service retail outlets are becoming very popular, particularly in major cities and towns. Because of this, some of the traditional role assigned to personal selling in respect of promotion has gone to packaging.

(iii) **Innovational Opportunity:** Some of the recent developments in the area of packaging have completely changed the marketing scene in the country. For example, milk can now be stored for 4-5 days without refrigeration in the recently developed packing materials. Similarly, in the area of pharmaceuticals, soft drinks, etc., lots of new innovations have come in respect of packaging. As a result, the scope for the marketing of such products has increased.

(iv) **Product Differentiation:** Packaging is one of the very important means of creating product differentiation. The colour, size, material etc., of package makes real difference in the perception of customers about the quality of the product. For example, by looking at the package of a product say Paint or Hair Oil, one can make some guess about quality of the product contained in it.

Functions of Packaging

As stated above, packaging performs a number of functions in the marketing of goods. Some of the important functions are as follows:

(i) **Product Identification:** Packaging greatly helps in identification of the products. For example, Colgate in red colour, or Ponds cream jar can be easily identified by its package.

(ii) **Product Protection:** Packaging protects the contents of a product from spoilage, breakage, leakage, pilferage, damage, climatic effect, etc. This kind of protection is required during storing, distribution and transportation of the product.

(iii) **Facilitating Use of the Product:** The size and shape of the package should be such that it should be convenient to open, handle and use for the consumers. Cosmetics, medicines and tubes of toothpastes are good examples of this.

(iv) **Product Promotion:** Packaging is also used for promotion purposes. A startling colour scheme, photograph or typeface may be used to attract attention of the people at the point of purchase. Sometimes it may work even better than advertising. In self-service stores, this role of packaging becomes all the more important.

What is Labelling?

A simple looking but important task in the marketing of goods relates to designing the label to be put on the package. The label may vary from a simple tag attached to the product (such as in case of local unbranded products like sugar, wheat, pulses, etc.) indicating some information about the quality or price, to complex graphics that are part of the package, like the ones on branded products (say the graphic of

Boat and Patwar on the package of a popular brand of After Shave Lotion or of a lady offering a pen to solicit the views of the users, on the label of a detergent powder). Lables are useful in providing detailed information about the product, its contents, method of use, etc.

What are the functions performed by a label?

The various functions performed by a label are as follows:

1. Describe the Product and Specify its Contents: Let us look at some of the labels of the products used by us in our day to day life. The label on the package of a local tea company describes the company as ' Mohini Tea Company, an ISO 9001:200C Certified Company'; a popular brand of Prickly Heat Powder, describes how the product provides relief from prickly heat and controls bacterial growth and infection, giving caution forbidding its application on cuts and wounds. Package of fast food products like ready to eat Dosa, Idli or Noodles, describe the procedure of cooking these products; the Package of a toothpaste brand lists the 'Ten Teeth and Gum Problems', which the product claims to fight with its 'Complete Germicheck Formula'; the Package of a brand of Coconut Oil describes the product as pure coconut oil with Heena, Amla, Lemon and specifies how these are good for Hair. Thus, one of the most important functions of labels is to describe the product, its usage, cautions in use, etc. and specify its contents.

2. Identification of the Product or Brand: The other important function performed by labels is to help in identifying the product or brand. For example, the brand name of and product, say Biscuits or Potato Chips imprinted on its package helps us to identify, from number of packages, which one is our favourite brand. Other common identification information provided by the labels include name and address of the manufacturer, net weight when packed, manufacturing date, maximum retail price and Batch number.

3. Grading of Products: Another important function performed by labels is to help grading the products into different categories. Sometimes marketers assign different grades to indicate different features or quality of the product. For example, a popular brand of Hair Conditioners comes in different categories for different hair, say for 'normal hair' and for other categories. Different type of tea is sold by some brands under Yellow, Red and Green Label categories.

4. Help in Promotion of Products: An important function of label is to aid in promotion of the products. A carefully designed label can attract attention and give reason to purchase. We see many product labels providing promotional messages for example, the pack of a popular Amla Hair Oil states, 'Baalon mein Dum, Life mein Fun'. The label on the package of a brand of Detergent Powder says, 'Keep cloth look good and your machine in top condition'. Labels play important role in sales promotional schemes launched by companies. For example the label on the package of a Shaving Cream mentions, '40% Extra Free' or package of a toothpaste mentioning, 'Free Toothbrush Inside', or 'Save Rs15'.

5. Providing In formation Required by Law: Another important function of labeling is to provide information required by law. For example, the statutory warning on the package of Cigarette or Pan Masala, 'Smoking is Injurious to Health' or 'Chewing Tobacco is Injurious to Health'. Such information is required on processed foods, drugs and tobacco products. In case of hazardous or poisonous material, appropriate safety-warning need to be put on the label.

Thus, labels perform number of important functions relating to communicating with the potential buyers and promoting the sale of the products.

2. PRICING

What is Pricing?

When a product is bought, some money is paid for it. This money represent the sum of values that consumers exchange for the benefit of having or using the prdocut and is referred to as the price of the product. Similarly, money paid for the services such as fare for the transport service, premium for an insurance policy, and fee to a doctor for his medical advise represent the price of these services. Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service.

Pricing occupies an important place in the marketing of goods and services by a firm. No product can be launched without a price tag or at least some guidelines for pricing. Pricing is often used as a regulator of the demand of a product. Generally, if the price of a product is increased, its demand comes down, and vice-versa.

Pricing is considered to be an effective competitive weapon. In the conditions of perfect competition, most of the firms compete with each other on the basis of this factor. It is also the single most important factor affecting the revenue and profits of a firm. Thus, most marketing firms give high importance to the fixation of price for their products and services.

What are the factors affecting price determination?

There are number of factors which affect the fixation of the price of a product. Some of the important factors in this regard are discussed as below:

1. Product Cost: One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold. Generally all marketing firms strive to cover all their costs, at least in the long run. In addition, they aim at earning a margin of profit over and above the costs. In certain circumstance, for example, at the time of introducing a new product or while entering a new market, the products may be sold at a price, which does not cover all the costs. But in the long run, a firm cannot survive unless at least all its costs are covered.

Types of Costs

There are broadly three types of costs: viz., Fixed Costs, Variable Costs and Semi Variable Costs.

(i) Fixed costs

Fixed costs are those costs, which do not vary with the level of activity of a firm say with the volume of production or sale. For example, rent of a building or salary of a sales manager remains the same whether 1000 units or 10 units are produced in a week.

(ii) Variable Costs

Those costs which vary in direct proportion with the level of activity are called variable costs. For example, the costs of raw material, labour and power are directly related with the quantity of goods produced. Let us say, if the cost of wood for manufacturing one chair comes to Rs.100 the cost of wood for 10 chairs would be Rs. 1000. Obviously, there will be no cost of wood if no chair is produced.

(iii) Semi Variable Costs

Semi variable costs are those costs which vary with the level of activity but not in direct proportion with it. For example, compensation of a sales person may include a fixed salary of say Rs. 10,000 plus a commission of 5 per cent on sales. With an increase in the volume of sales, the total compensation will increase but not in direct proportion with the change in the volume of sale.

Total Costs are the sum total of the fixed, variable and semi-variable costs for the specific level of activity, say volume of sales or quantity produced.

2. The Utility and Demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. In fact the price must reflect the interest of both the parties to the transaction—the buyer and the seller. The buyer may be ready to pay up to the point where the tility from the product is at least equal to the sacrifice made in terms of the price paid. The seller would, however, try to at least cover the costs. According to the law of demand, consumers usually purchase more units at a low price than at a high price.

The price of a product is affected by the elasticity of demand of the product. The demand is said to be elastic if a relatively small change in price results in large change in the quantity demanded. Here numerically, the price elasticity is greater than one. In the case of inelastic demand, the total revenue increases when the price is increased and goes down when the price is reduced. If the demand of a product is inelastic, the firm is in a better position to fix higher prices.

3. Extent of Competition in the Market: Between the lower limit and the upper limit where would the price settle down? This is affected by the nature and the degree of competition. The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level. Competitors' prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined carefully, before fixing the price.

4. Government and Legal Regulations: In order to protect the interest of public against unfair practices in the field of price fixing, Government can intervene and regulate the price of commodities. Government can declare a product as essential product and regulate its price. For example, the cost of a drug manufactured by a company having monopoly in the production of the same come to Rs 20 per strip of ten and the buyer is prepared to pay any amount for it, say Rs 200. In the absence of any competitor, the seller may be tempted to extort the maximum amount of Rs 200 for the drug and intervene to regulate the price. Usually in such a case, the Government does not allow the firms to charge such a high price and intervene to regulate the price of the drug. This can be done by the Government by declaring the drug as essential commodity and regulating its price.

5. Pricing Objectives: Pricing objectives are another important factor affecting the fixation of the price of a product or a service. Generally the objective is stated to be maximise the profits. But there is a difference in maximising profit in the short run and in the long run. If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market and earn greater profits through increased sales.

Apart from profit maximisation, the pricing objectives of a firm may include:

(a) Obtaining Market Share Leadership: If a firms objective is to obtain larger share of the market; it will keep the price of its products at lower levels so that greater number of people are attracted to purchase the products;

(b) Surviving in a Competitive Market: If a firm is facing difficulties in surviving in the market because of intense competition or introduction of a more efficient substitute by a competitor, it may resort to discounting its products or running a promotion campaign to liquidate its stock; and

(c) Attaining Product Quality Leadership: In this case, normally higher prices are charged to cover high quality and high cost of Research and Development.

Thus, the price of a firm's products and services is affected by the pricing objective of the firm.

6. Marketing Methods Used: Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services provided. For example, if a company provides free home delivery, it has some of flexibility in fixing prices. Similarly, uniqueness of any of the elements mentioned above gives the company a competitive freedom in fixing prices of its products.

3. PLACE

What is the physical distribution of products and services? Describe the channels of distribution.

The third important element of marketing mix is the physical distribution of products and services.

It is concerned with making the goods and services available at the right place, so that people can purchase the same. There are two important decisions relating to this aspect—one regarding physical movement of goods from producers to consumers or users and two, regarding the channels or using intermediaries in the distribution process. These are described as follows:

Channels of Distribution

In case of large number of consumer products, the potential buyers are scattered over a wide geographical area. In order to contact these people efficiently and effectively, it is important to take the help of number of intermediaries as contacting them directly may not be cost effective and may be difficult even otherwise. For example, a manufacturer of detergent powder in Gujarat would find it very difficult to directly approach customers, say in Delhi, Thiruvananthapuram, Bhuvaneshwar, Hyderabad Srinagar and other far off places. Therefore, he/ she would supply a large quantity of his/ her product to a big merchant, say in Hyderabad. This big merchant would then supply detergent powder to relatively small sellers in various towns of Hyderabad. These sellers would, in turn, resell the goods to customers. In this manner, goods are distributed from the place of production to the place of consumption. These people, institutions, merchants, and functionaries, who take part in the distribution function, are called 'Channels of Distribution'. (see figure on channels)

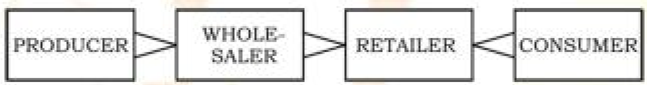
Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. In other words, channel refers to a team of merchants, agents, and business institutions that combine physical movement and title movement of products to reach specific destinations.

Mostly goods and services are distributed through a network of marketing channels. For example we buy merchandise of our need such as salt, bulb, tea, sugar, soap, paper, books, flour, etc., from retail sellers.

The channels bring economy of effort. This can be better understood with the help of an example. Let us say you have to buy four things, viz., Sugar, Bulb, Coffee and Ink. Most probably you would walk into a General Merchant's Shop and buy all the articles form one place. Imagine what would happen if there were no middlemen or general merchants available. In that case you would have to buy directly from the manufacturers of these products. You will have to make four contacts, each with the producer of Sugar, Bulb, Coffee and Ink. Compared to this, there was only one contact when all the things were bought from the same general merchant. Now let us assume that there are four customers needing the same four articles. In all sixteen contacts would have to be made. In case middleman are used, as shown in the part II of the figure, only eight contacts could be needed. Thus, use of middlemen brings economy of effort. This situation is illustrated in the preceeding figure.

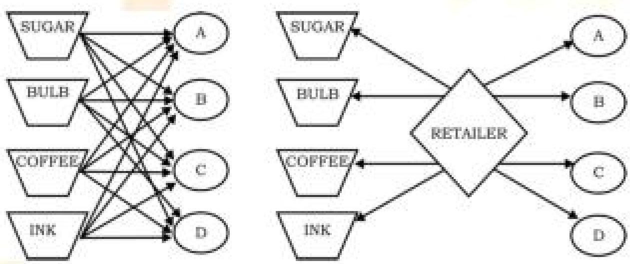
Apart from the economy of effort, middlemen help to cover large geographical area and bring efficiency in distribution, including transportation, storage and negotiation. They bring convenience to customers as they make various items available at one store and also serve as authentic source of market information as they are in direct contact with the customer.

PART I



Channels of Distribution used for a Consumer Products

PART II



Economy of Efforts with the use of Channels

What are the functions of Distribution Channels?

Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. They facilitate Channels of Distribution used for a Consumer Product movement of goods by overcoming various time, place and possession barriers that exist between the manufacturers and consumers. The important functions performed by middlemen are as follows:

1. Sorting: Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature, and size. For example, a wholesaler of cashew nuts may procure a large quantity from different cashew nut producing areas, which would contain nuts of varied quality and sizes. He/ She then sorts the nuts into homogenous groups on the basis of the size or quality.

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

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

4. Assorting: Middlemen build assortment of products for resale. There is usually a difference between the product lines made by manufacturers and the assortment or combinations desired by the users. For example, a cricket player may need a bat, a ball, wickets, gloves, helmet, a T-shirt, and a pair of shoes. Perhaps no one manufacturer produces these products in desired combination. Middlemen procure variety of goods from different sources and deliver them in combinations desired by customers.

5. Product Promotion: Mostly advertising and other sales promotion activities are organised by manufacturers. Middlemen also participate in certain activities such as demonstrations, special displays, contests, etc., to increase the sale of products.

6. Negotiation: Channels operate with manufacturers on the one hand and customers one, the other. Arriving at deals that satisfy both the parties is another important function of the middlemen. They negotiate the price, quality, guarantee and other related matters with customers so that transfer of ownership is properly affected.

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

Describe the different types of channels of distribution

A manufacturer may choose from direct distribution to indirect distribution and from a short channel consisting of few intermediaries to a long channel of distribution consisting of large number of middlemen. Each form of channel network differs in number and type of middlemen involved. The major types of channels are as follows:

Direct Channel (Zero Level)

The most simple and the shortest mode of distribution is direct distribution, where in the goods are made directly available by the manufacturers to customers, without involving any intermediary. This is also called zero level channel. A straight and direct relationship is established between the manufacturer and the customer. For example, when a manufacturer sells his goods through his own retail outlets (e.g., Mc Donald, Bata); it is referred to as direct channel. Similarly, mail order selling, internet selling and selling through own sales force, (e.g., Eureka Forbes) are example of direct selling or zero level channel.

Indirect Channels

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

1. Manufacturer-Retailer Consumer (One Level Channel): In this form of arrangement one intermediary i.e., retailers is used between the manufacturers and the customers. That is, goods pass from the manufacture to the retailers who, in turn, sell them to the final users. For example, Maruti Udyog sells its cars and vans through company approved retailers. This type of distribution network enables the manufacturers to cover wide area of market while retaining control over the Channels.

2. Manufacturer-Wholesaler-Retailer-Consumer (Two Level Channel): This is the most commonly adopted distribution network for most consumer goods like soaps, oils, clothes, rice, sugar and pulses. Here the wholesaler and retailer function as connecting links between the manufacturer and consumer. Use of two middlemen in the channel network enables the manufacturer to cover a larger market area.

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

(i) Direct Channel (zero level)

Manufacturer → Customer

Indirect Channel

(ii) One level Channel

Manufacturer → Retailer → Customer

(iii) Two level Channel

Manufacturer → Wholesaler → Retailer → Customer

(iv) Three level Channel

Manufacturer → Agent → Wholesaler → Retailer → Customer

Types of Channels

What are the factors determining choice of channels?

Choice of appropriate channel of distribution is a very important marketing decision, which affects the performance of an organisation. Whether an organisation will adopt direct marketing channels or long channels involving number of intermediaries is a strategic decision. The choice of channels depends on various factors, which are discussed as follows:

1. Product Related Factors: The important product related considerations in deciding the channels include whether the product is an industrial or a consumer product, whether it is a perishable or a non-perishable product, what is the unit value of the product and the degree of complexity of the product.

Industrial products are usually technical, made to order and expensive products purchased by few buyers. These products require short channels i.e., direct channel or involving few middlemen.

Consumer products, on the other hand, are usually standardised, less expensive, less bulky, non-technical and frequently bought products. These can be better distributed by long network of channels, involving many middlemen. Perishable products like fruits, vegetables, and dairy products are best sold through short channels, while non-perishable products like toiletry products (e.g., soap, toothpaste, hair oil etc.), groceries (vegetable oil, tea leaf etc.), fabrics require longer channels to reach wide spread consumers.

If the unit value of a product is low as in case of most convenience products, long channels are preferred while in case of high value products, shorter channels may be used. Similarly, in case of complex products requiring technical details as in case of most industrial or engineering products, short channels are preferred but if the product is a non-complex one, it is sold through long channels, involving number of intermediaries.

2. Company Characteristics: The important company characteristics affecting the choice of channels of distribution include the financial strength of the company and the degree of control it wants to hold on other channel members. Direct selling involves lot of funds to be invested in fixed assets say for starting own retail outlets or engaging large number of sales force. Indirect selling through intermediary does not involve deployment of huge funds on these aspects. Thus, if the firm has plenty of funds it may go for direct distribution. If spare funds are not available, it may go for indirect channels.

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

3. Competitive Factors: The choice of channel is also affected by the channel selected by competitors in the same industry. If the competitor's have selected a particular channel say Chemist shops for the sale of toiletry products like hair oil, the other firm may also like to select the similar channel. In some cases producers may want to avoid the channels used by competitors. For example if other cosmetic producers have chosen big retail stores for the sale of their products, a particular firm may like to adopt door to door selling. Thus, it will depend upon the policy of the firm – whether it wants to go with the competitors or be different from them. The changing global marketing environment has lead to adoption of newer channels.

4. Market Factors: Important market factors affecting the choice of channel of distribution include size of market, geographical concentration of potential buyers and quantity purchased. In case the number of buyers is small, like for most industrial products, short channels are used. But if the number of buyers is large, as in case of most convenience products like soft drink, toothpaste etc., longer channels involving large number of intermediaries are used.

If the buyers are concentrated in a small place, short channels may be used but if the buyers are widely dispersed over a large geographical area, longer channels may be used. Similarly if the size of order is small, as in case of most consumer products, large number of intermediaries may be used. But if the size of order is large, direct channels may be used.

5. Environmental Factors: Other important factors affecting the choice of channels of distribution include environmental factor such as economic condition and legal constraints. In a depressed economy marketers use shorter channels to distribute their goods in an economical way.

Explain the components of physical distribution.

The main components of physical distribution are explained as follows:

1. Order Processing: In a typical buyer -seller relationship order placement is the first step. Products flow from manufacturers to customers via channel members while orders flow in the reverse direction, from customers to the manufacturers. A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications. This would result in customer dissatisfaction, with the danger of loss of business and goodwill.

2. Transportation: Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is one of the major elements in the physical distribution of goods. It is important because unless the goods are physically made available, the sale cannot be completed.

3. Warehousing: Warehousing refers to the act of storing and assorting products in order to create time utility in them. The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them. The need for warehousing arises because there may be difference between the time a product is produced and the time it is required for consumption. Generally the efficiency of a firm in serving its customers will depend on where these warehouses are located and where are these to be delivered.

Generally larger the number of warehouses a firm has, lesser would be the time taken in serving customers at different locations but greater would be the cost of warehousing and viceversa. Thus the firm has to strike a balance between the cost of warehousing and the level of customer service.

For products requiring long-term storage (such as agricultural products) the warehouses are located near production sites. This helps in minimising the charges on transportation of the goods. On the other hand, the products which are bulky and hard to ship (machinery, automobiles) as well as perishable products (bakery, meat, vegetables) are kept at different locations near the market.

4. Inventory Control: Linked to warehousing decisions are the inventory decisions which hold key to success for many manufacturers, especially those where the perunit cost is high. A very important decision in respect of inventory is deciding about the level of inventory. Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot of capital would be tied up in the stock. Thus, a balance is to be maintained in respect of the cost and customer satisfaction. With advancements in computers and information technology the need for keeping higher inventory is reducing and the new concept of Just-in-Time-Inventory decision is becoming popular in an increasing number of companies.

The decision regarding level of inventory involves prediction about the demand for the product. A correct estimate of the demand helps to hold inventory and cost level down to a minimum. This not only helps the firm in terms of the cash flows but also in terms of its ability to maintain production at a consistent level.

The major factors determining inventory levels include:

(a) firm's policy regarding the level of customer service to be offered. Higher the level of service greater will be the need to keep more inventories;

(b) degree of accuracy of the sales forecasts. In case more accurate estimates are available, the need for keeping very high level of inventory can be minimised;

(c) responsiveness of the distribution system i.e., ability of the system to transmit inventory needs back to the factory and get products in the market. In case the time required to respond to the additional demand for the products is high there is a need to maintain higher inventory. But if the additional demand can be met in less time, the need for inventory will also be low; and

(d) cost of inventory, which includes holding cost such as cost of warehousing, tied up capital, etc and the manufacturing cost.

4. PROMOTION

What do you mean by the word promotion?

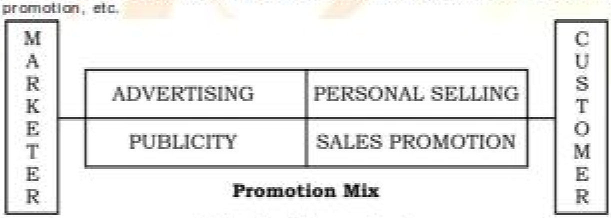
Promotion refers to the use of communication with the twin objective of informing potential customers about a product and persuading them to buy it. In other words, promotion is an important element of marketing mix by which marketers makes use of various tools of communication to encourage exchange of goods and services in the market.

What is Promotion Mix?

Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives.

What are the elements of Promotion Mix?

Various tools of communication are used by the marketers to inform and persuade customers about their firm's products. These include: (i) Advertising, (ii) Personal Selling, (iii) Sales Promotion, and (iv) Publicity. These tools are also called elements of promotion mix and can be used in different combinations, to achieve the goals of promotion. For example consumer goods firms may use more of advertising through mass media while the industrial goods firms may be using more of personal selling. What combination of these elements is used by a firm will depend upon various factors such as nature of market, nature product, the promotions budget, objectives of promotion, etc.



Marketing Communication

1. ADVERTISING

What is Advertising?

Advertising is perhaps the most commonly used tool of promotion. It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or service. The most common modes of advertising are 'newspapers', 'magazines', 'television', and 'radio'.

What are the important features of advertising?

The important distinguishing features of advertising are as follows:

(i) **Paid Form:** Advertising is a paid form of communication. That is, the sponsor has to bear the cost of communicating with the prospects.

(ii) **Impersonality:** There is no direct face-to-face contact between the prospect and the advertiser. It is therefore, referred to as impersonal method of promotion. Advertising creates a monologue and not a dialogue.

(iii) **Identified Sponsor:** Advertising is undertaken by some identified individual or company, who makes the advertising efforts and also bears the cost of it.

Discuss the important merits of advertising.

Advertising, as a medium of communication, has the following merits:

(i) **Mass Reach:** Advertising is a medium through which a large number of people can be reached over a vast geographical area. For example, an advertisement message placed in a national daily reaches lakhs of its subscribers.

(ii) **Enhancing Customer Satisfaction and Confidence:** Advertising creates confidence amongst prospective buyers as they feel more comfortable and assured about the product quality and hence feel more satisfied.

(iii) **Expressiveness:** With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful medium of communication. With the special effects that can be created, even simple products and messages can look very attractive.

(iv) **Economy:** Advertising is a very economical mode of communication if large number of people are to be reached. Because of its wide reach, the overall cost of advertising gets spread over numerous communication links established. As a result the per-unit cost of reach comes low.

Discuss the major limitations of advertising as a tool of promotion.

The following are the major limitations of advertising as a tool of promotion:

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

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

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

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

Discuss the major criticism of advertising.

Though advertising is one of the most frequently used medium of promotion of goods and services, it attracts lot of criticism. The opponents of advertising say that the expenditure on advertising is a social waste as it adds to the cost, multiplies the needs of people and undermines social values. The proponents, however, argue that advertising is very useful as it increases the reach, brings the pay unit cost of production down and adds to the growth of the economy. It is therefore, important to examine the major criticisms against advertising and see the extent to which these are true. This is taken up as follows:

1. **Adds to Cost:** The opponents of advertising argue that advertising

unnecessarily adds to the cost of product, which is ultimately passed on to the buyers in the form of high prices. An advertisement on TV, for a few seconds, for example, costs the marketers several lakhs of rupees. Similarly an advertisement in print media say in a newspaper or a magazine costs the marketers a large amount of money. The money spent adds to the cost, which in an important factor in fixation of the price of a product.

True, advertisement of a product costs lot of money but it helps to increase the demand for the product as large number of potential buyers come to know about the availability of the products, its features etc. and are persuaded to buy it. The increased demand leads to higher production, which brings with it the economies of scale. As a result, the per unit cost of production comes down as the total cost is divided by larger number of units. Thus, the expenditure on advertisement adds to the total cost but the per unit cost comes down which in fact lessens the burden of consumers rather than adding to it.

2. Undermines Social Values: Another important criticism of advertising is that it undermines social values and promotes materialism. It breeds discontent among people as they come to know about new products and feel dissatisfied with their present state of affairs. Some advertisements show new life styles, which don't find social approval.

This criticism is not entirely true. Advertisement in fact helps buyers by informing them about the new products, which may be improvement over the existing products. If the buyers are not informed about these products, they may be using inefficient products. Further, the job of an advertisement is to inform. The final choice to buy or not to buy anyway rests with the buyers. They will buy if the advertised product satisfies some of their needs. They may be motivated to work harder to be able to purchase these products.

3. Confuses the Buyers: Another criticism against advertisement is that so many products are being advertised which makes similar claims that the buyer gets confused as to which one is true and which one should be relied upon. For example, we may note similar claims of whiteness or stain removing abilities in competing brands of detergent powder or claims of whiteness of tooth or 'feelings of freshness' in competing brands of toothpaste that it is sometimes confusing to us as to which one to buy.

The supporters of advertisement, however, argue that we are all rational human beings who make our decisions for purchase of products on factors such as price, style, size, etc. Thus the buyers can clear their confusion by analysing the information provided on the advertisements and other sources before taking a decision to purchase a product. However, this criticism cannot be completely overruled.

4. Encourages Sale of Inferior Products: Advertising does not distinguish between superior and inferior products and persuade people to purchase even the inferior products.

In fact superiority and inferiority depends on the quality, which is a relative concept. The desired level of quality will depend on the economic status and preferences of the target customers. Advertisements sell products of a given quality and the buyers will buy if it suits their requirements. No advertisement should however, make false claim about the quality of a product. If a firm makes a false claims it can be prosecuted for the same.

5. Some Advertisements are in Bad Taste: Another criticism against advertising is that some advertisements are in bad taste. These show something which in not approved by some people say advertisements showing women dancing when not required or running after a man because he is wearing a particular suit or using a particular perfume are certainly not good. Some advertisements distort the relationship like employer employee and are quite offensive.

We have seen the views of the opponents and the proponents of advertising.

There may be some chances of misuse of advertising as a tool, which can be properly safeguarded by the law or by developing a code of conduct by the advertisers, for their self regulation. However, most of the criticism against advertising are not entirely true. In the changed economic environment of globalisation, advertising is considered as an important tool of marketing. It helps a firm in effectively communicating with its target market, increasing the sale and there by reducing the per unit cost of production. It is not a social waste, rather it adds value to the social cause by giving a boost to production and generating employment.

2. PERSONAL SELLING

What is Personal Selling?

Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication. Companies appoint salespersons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making sale.

What are the important features of personal selling?

(i) **Personal Form:** In personal selling a direct face-to-face dialogue takes place that involves an interactive relationship between the seller and the buyer.

(ii) **Development of Relationship:** Personal selling allows a salesperson to develop personal relationships with the prospective customers, which may become important in making sale.

What are the merits of personal selling?

(i) **Flexibility:** There is lot of flexibility in personal selling. The sales presentation can be adjusted to fit the specific needs of the individual customers.

(ii) **Direct Feedback:** As there is direct face-to-face communication in personal selling, it is possible to take a direct feed back from the customer and to adapt the presentation according to the needs of the prospects.

(iii) **Minimum Wastage:** The wastage of efforts in personal selling can be minimised as company can decide the target customers before making any contact with them.

Discuss the role of personal selling in the marketing of goods and services.

Personal selling plays a very important role in the marketing of goods and services. The importance of personal selling to businessmen, customers and society may be described as below.

Importance to Businessmen

Personal selling is a powerful tool for creating demand for a firm's products and increasing their sale. The importance of personal selling to a business organisation may be described as follows:

(i) **Effective Promotional Tool:** Personal selling is very effective promotional tool, which helps in influencing the prospects about the merits of a product and thereby increasing its sale.

(ii) **Flexible Tool:** Personal selling is more flexible than other tools of promotion such as advertising and sales promotion. It helps business persons in adopting their offer in varying purchase situations.
(iii) **Minimises Wastage of Efforts:** Compared with other tools of promotion, the possibility of wastage of efforts in personal selling is minimum. This helps the business persons in bringing economy in their efforts.
(iv) **Consumer Attention:** There is an opportunity to detect the loss of consumer attention and interest in a personal selling situation. This helps a business person in successfully completing the sale.
(v) **Lasting Relationship:** Personal selling helps to develop lasting relationship between the sales persons and the customers, which is very important for achieving the objectives of business.
(vi) **Personal Rapport:** Development of personal rapport with customers increases the competitive strength of a business organisation.
(vii) **Role in Introduction Stage:** Personal selling plays very important role in the introduction stage of a new product as it helps in persuading customers about the merits of the product.
(viii) **Link with Customers:** Sales people play three different roles, namely persuasive role, service role and informative role, and thereby link a business firm to its customers.

Importance to Customers

This role of personal selling becomes more important for the illiterate and rural customers, who do not have many other means of getting product information.

The customers are benefited by personal selling in the following ways:

(i) **Help in Identifying Needs:** Personal selling helps the customers in identifying their needs and wants and in knowing how these can best be satisfied.
(ii) **Latest Market Information:** Customers get latest market information regarding price changes, product availability and shortages and new product introduction, which help them in taking the purchase decisions in a better way.
(iii) **Expert Advice:** Customers get expert advice and guidance in purchasing various goods and services, which help them in making better purchase.
(iv) **Induces Customers:** Personal selling induces customers to purchase new products that satisfy their needs in a better way and thereby helps in improving their standards of living.

Importance to Society

Personal selling plays a very productive role in the economic progress of a society. The more specific benefits of personal selling to a society are as follows:

(i) **Converts Latest Demand:** Personal selling converts latest demand into effective demand. It is through this cycle that the economic activity in the society is fostered, leading to more jobs, more incomes and more products and services. That is how economic growth is influenced by personal selling.
(ii) **Employment Opportunities:** Personal selling offers greater income and employment opportunities to the unemployed youth.
(iii) **Career Opportunities:** Personal selling provides attractive career with greater opportunities for advancement and job satisfaction as well as security, respect, variety, interest and independence to young men and women.
(iv) **Mobility of Sales People:** There is a greater degree of mobility in sales people, which promote travel and tourism in the country.
(v) **Product Standardisation:** Personal selling increases product standardisation and uniformity in consumption pattern in a diverse society.

3. SALES PROMOTION

What is Sales Promotion?

Sales promotion refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service. These include all promotional efforts other than advertising, personal selling and publicity, used by a company to boost its sales. Sales promotion activities include offering cash discounts, sales contests, free gift offers, and free sample distribution. Sales promotion is usually undertaken to supplement other promotional efforts such as advertising and personal selling.

Companies use sales promotion tools specifically designed to promote to customers (e.g., free samples, discounts, and contests), tradesmen or middlemen (e.g., cooperative advertising, dealer discounts and dealer incentives and contests) and to sales person (e.g., bonus, salesmen contests, special offers). Sales promotions include only those activities that are used to provide short term incentives to boost the sales of a firm.

Discuss the merits of sales promotion.

(i) **Attention Value:** Sales promotion activities attract attention of the people because of the use of incentives.

(ii) **Useful in New Product Launch:** Sales promotion tools can be very effective at the time of introduction of a new product in the market. It induces people to break away from their regular buying behaviour and try the new product.

(iii) **Synergy in Total Promotional Efforts:** Sales promotion activities are designed to supplement the personal selling and advertising efforts used by a firm and add to the over all effectiveness of the promotional efforts of a firm.

Discuss the limitation of sales promotion.

(i) **Reflects Crisis:** If a firm frequently rely on sales promotion, it may give the impression that it is unable to manage its sales or that there are no takers of its product.

(ii) **Spoils Product Image:** Use of sales promotion tools may affect the image of a product. The buyers may start feeling that the product is not of good quality or is not appropriately priced.

Discuss the commonly used sales promotion activities.

1. Rebate: Offering products at special prices, to clear off excess inventory. Example, a car manufacturer's offer to sell a particular brand of car at a discount of Rs 10,000, for a limited period.

2. Discount: Offering products at less than list price. Example, a shoe company's offer of 'Discount Up to 50%' or a shirt marketer's offer of '50+40% Discount'.

3. Refunds: Refunding a part of price paid by customer on some proof of purchase, say on return of empty foils or wrapper. This is commonly used by food product companies, to boost their sales.

4. Product Combinations: Offering another product as gift along with the purchase of a product, say offer of a pack of ½ kg of rice with the purchase of a bag of Aatta (wheat flour), or 'Get 128 KB Memory Card Free with a Digicam' or Buy a TV of 25+ and Get a Vacuum Cleaner Free' or '100 Gm Bottle of Sauce Free With 1 kg Detergent.'

5. Quantity Gift: Offering extra quantity of the product commonly used by marketer of toiletry products. For example, a shaving cream's offer of '40% Extra' or A Hotel's offer of "Take a 2 Night 3 Days Package At the Hotel and Get an Extra Night Stay At Just Rs 500" or 'Buy 2 Get 1 Free' offer of a marketer of shirts.

6. Instant Draws and Assigned Gift: For example, 'Scratch a Card' or 'Burst a Cracker' and instantly win a Refrigerator, Car, T-shirt, Computer, with the purchase of a TV.

7. Lucky Draw: For example, the offer of a bathing soap to win a gold coin on lucky draw coupon for free petrol on purchase of certain quantity of petrol from given petrol pump or lucky draw coupon on purchase of easy undergarment and win a car offer.

8. Usable Benefit: 'Purchase goods worth Rs 3000 and get a holiday package worth Rs 3000 free' or 'Get a Discount Voucher for Accessories on Apparel Purchase of Rs 1000 and above.'

9. Full finance @ 0%: Many marketers of consumer durables such as Electronic goods, automobiles etc offer easy financing schemes such as '24 easy instalments, Eight Up Front and 16 To Be Paid as Post Dated Cheques'. However, one should be careful about the file charges, which sometimes is nothing but interest recovered in advance.

10. Sampling: Offer of free sample of a product, say a detergent powder or tooth paste to potential customers at the time of launch of a new brand.

11. Contests: Competitive events involving application of skills or luck, say salving a quiz or answering some questions.

4. PUBLICITY

What is publicity? Discuss its role as to how a firm can use to acitively promote its products.

Publicity is similar to advertising, in the sense that it is a non-personal form of communication. However, as against advertising it is a non-paid form of communication. Publicity generally takes place when favourable news is presented in the mass media about a product or service. For example, if a manufacturer achieves a breakthrough by developing a car engine, which runs on water instead of petrol, and this news is covered by television or radio or newspapers in the form of a news item. It would be termed as publicity because the engine manufacturer would benefit from such dissemination of information about its achievement by the media but would not bear any cost for the same. Thus, the two important features of publicity are that:

(i) Publicity is an unpaid form of communication. It does not involve any direct expenditure by the marketing firm; and
(ii) There is no identified sponsor for the communication as the message goes as a news item.

In publicity, as the information is disseminated by an independent source, e.g., the press in the form of news stories and features, the message has more credibility than if that comes as a sponsored message in advertising.

Also, as the message goes in the form of a news rather than direct sales communication, it can reach even to those persons who otherwise may not pay attention to paid communication.

However, an important limitation of publicity is that as a medium of promotion, it is not within the control of a marketing firm. The media would cover only those pieces of information, which are news worthy and which symbolise some achievement in the field. Thus, a firm can't use publicity to actively promote its products.

What are the major differences between advertising and personal selling?

The major differences between advertising and personal selling are as follows:

S.N.	Advertising	Personal Selling
1.	Advertising is an impersonal form of communication.	Personal selling is a personal form of communication.
2.	Advertising involves transmission of standardised messages, i.e., same message is sent to all the customers in a market segment.	In personal selling, the sales talk is adjusted keeping view customer's background and needs.
3.	Advertising is inflexible as the message can' t be adjusted to the needs of the buyer.	Personal selling is highly flexible. as the message can be adjusted.
4.	It reaches masses, i.e., a large number of people can be approached.	Only a limited number of people can be contacted because of time and cost considerations.
5.	In advertising the cost per person reached is very low.	The cost per person is quite high in the case of personal selling.
6.	Advertising can cover the market in a short time.	Personal selling efforts take a lot of time to cover the entire market.
7.	Advertising makes use of mass media such television, radio, newspaper, and magazines.	Personal selling makes use of sales staff, which has limited reach.
8.	Advertising lacks direct feedback. Marketing research efforts are needed to judge customers' reactions to advertising.	Personal selling provides direct and immediate feed back. Sales persons come to know about the customers' reactions immediately.
9.	Advertising is more useful in creating and building interest of the consumers in the firms products.	Personal selling plays important role at the awareness stage of decision making.
10.	Advertising is more useful in marketing to the ultimate consumer's who are large in numbers	Personal selling is more helpful in selling products to the industrial buyers or to intermediaries such as dealers and retailers who are relatively few in numbers.

SUMMARY

Market: In the traditional sense, the term 'market' refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services. But in modern marketing sense, it refers to a set of actual and potential buyers of a product or service.

What is Marketing: The term marketing has been described as performance of business activities that direct the flow of goods and services from producers to consumers. Marketing is not merely a post-production activity. It includes many activities that are performed even before goods are actually produced and continue even after the goods have been sold.

In Modern Times: Marketing is described as a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others. Marketing is not merely a business phenomena or confined only to business organisations. Marketing activities are equally relevant to non-profit organisations.

What can be Marketed: Anything that is of value to the other can be marketed. It can be a product or a service or a person or a place or an idea. It can also be an experience, properties, events, information or organisation.

Marketing management means management of the marketing function. It refers to 'The art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value of management.'

Marketing and Selling: Many people confuse 'selling' for 'marketing'. However, selling is only a part of the process of marketing. The main focus of selling is on affecting transfer of title and possession of goods from sellers to users. Marketing activities put greater thrust on maximising customer's satisfaction.

Marketing Management Philosophies: The different business philosophies or concepts guiding the marketing efforts are: **(i) Production Concept** which assumes that availability and affordability of the product are the key to the success of a firm and puts greater emphasis on improving the production and distribution efficiency of the firms. **(ii) Product Concept** assumes that product improvement is, the key to profit maximisation of a firm; **(iii) Sales Concept** assumes that the customers would not buy, or not buy enough, unless they are adequately convinced and motivated to do so, it is believed that aggressive selling and promotional efforts are important to make customers buy their products. **(iv) Marketing Concept** implies that focus on satisfaction of customer's needs is the key to the success of any organisation in the market. **(v) The Societal Marketing Concept** is the extension of the marketing concept as supplemented by the concern for the long-term welfare of the society.

Functions of Marketing: The important functions of marketing include Gathering and Analysing Market Information, Marketing Planning, Product Designing and Development, Standardisation and Grading, Packaging and Labelling, Branding, Customer Support Services, Pricing of Products, Promotion, Physical distribution, Transportation, Storage or Warehousing.

Role of Marketing: By adopting marketing orientation, an organisation whether profit making or non-profit making, can achieve its goals in the most effective manner. Also marketing acts as a catalyst in the economic development of a country and helps in raising the standards of living of people.

Marketing Mix is a set of marketing tools that the firm uses to pursue its marketing objectives in a target market. The variables or elements of marketing mix have been classified in to four categories, popularly known as four Ps of marketing viz., Product, Price, Place and Promotion. These elements are combined to create an offer.

Product: In common parlance, the word 'product', is used to refer only to the physical or tangible attributes of a product. In marketing, product is a mixture of tangible and intangible attributes, which are capable of being exchanged for a value, with ability to satisfy customer needs. It is anything that can be offered to a market to satisfy a want or need. Products may broadly be classified into two categories—industrial products and consumers' products. Products, which are purchased, by the ultimate consumers or users for satisfying their personal needs and desires are referred to as consumer products. On the basis of shopping efforts involved, the products are classified as Convenience Product, Shopping Products and Speciality Products. On the basis of their durability, consumer products have been classified into categories—Durable, Non-durable and Services.

Those activities, benefits or satisfactions, which are offered for sale, e.g., dry cleaning, watch repairs, hair cutting, are called services. Industrial products are those products, which are used as inputs in producing other products. These are broadly classified in to (i) Materials and Parts, (ii) Capital Items, and (iii) Supplies and Business Services.

Generic name refers to the name of the whole class of the product. For example, a book, a wristwatch, and tyre. A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products—goods or services of one seller or group of sellers and to differentiate them from those of the competitors. That part of a brand, which can be spoken, is called a brand name.

That part of a brand which can be recognized but which is not utter able is called brand mark. Brand mark appears in the form of a symbol, design, distinct colour scheme or lettering. Brand or part of a brand that is given legal protection is called trademark.

A good brand name should be short, easy to pronounce, spell, recognize and remember; Should suggest the product's benefits and qualities; be distinctive; be adaptable to packing or labelling requirements; be sufficiently versatile to accommodate new products; be capable of being registered and protected legally and have staying power i.e. it should not get out of date.

Packaging: The act of designing and producing the container or wrapper of a product is referred as packaging. There can be three different levels of packaging, viz Primary package, Secondary packaged, Transport package. Packaging performs a number of functions in the marketing of goods. Some of the important functions, include Product identification; Product protection; Facilitating the use of the product and Promotion of goods and services.

Labelling: A simple looking but important task in the marketing of goods relates to designing the label to be put on the package. The label may vary from a simple tag attached to the product to complex graphics that are part of the package. The most important functions of labels include (i) describing the product; (ii) help in identifying the product or brand; (iii) help in grading the products into different categories; and aids in promotion of the products.

Pricing: Price may be defined as the amount of money paid by a buyer or received by a seller in consideration of the purchase of a product or service. Generally, if the price of a product is increased, its demand comes down, and vice-versa. Pricing is considered to be an effective competitive weapon. It is also the single most important factor affecting the revenue and profits of a firm.

The factors affecting price determination are (i) Product Cost; (ii) The Utility and Demand; (iii) Competition; (iv) Government and Legal Regulations; and (v) Marketing Methods Used.

Physical Distribution: There are two important decisions relating to this aspectone regarding physical movement of goods and two, regarding the channels.

Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. The important functions performed by middlemen are: (i) Sorting; (ii) accumulation; (iii) allocation; (iv) assorting; (v) product promotion; (vi) negotiation; and (vii) risk taking:

Types of Channels: (i) Direct distribution channels are those where in the goods are made directly available by the manufacturers to customers, without involving any intermediary; include (ii) Indirect Distribution Channels include (i)

Manufacturer - Retailer – Consumer (One Level Channel); (ii) Manufacturer - Wholesaler - Retailer- Consumer (Two Level Channel); (iii) Manufacturer - Agent - Retailer- Consumer (Three Level Channel) Factors Determining Choice of Channels include (i) Product Related Factors; ii. Company Characteristics; (iii) Competitive Factor iv. Market Factor; and v. Environmental Factor.

Physical Distribution Covers all the activities required to physically move goods from manufacturers to the customers. The main component of physical distribution are. (i) Order Processing; (ii) Transportation; (iii) Warehousing; and (iv) Inventory Control: Just-in-Time-Inventory.

Promotion: Promotion refers to the use of communication with the twin objective of informing potential customers about a product and persuading them to buy it. There are four major tools, or elements of promotion mix, which are. (i) Advertising, (ii) Personal Selling, (iii) Sales Promotion, and (iv) Publicity. These tools are used in different combinations to achieve the goals of promotion.

Advertising is the most commonly used tool of promotion. It is an impersonal form of communication, which is paid for by the marketers (Sponsors) to promote some goods or service. The merits of advertising, as a medium of communication, include (i) Mass reach; (ii) Enhancing customer satisfaction and confidence; (iii) Expressiveness; and (iv) Economy

The limitations of advertising are that it is (i) less forceful (ii) lacks Feedback (iii) inflexibility (iv) low effectiveness The most common Objections to Advertising are that it (i) adds to cost; (ii) undermines social Values; (iii) confuses the buyers; and (iv) encourages sale of inferior Products:

Most of the criticisms against advertising are not fully true. Advertising is therefore considered an essential function of marketing.

Personal Selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. Personal Selling plays important role for the business persons as well as for the society.

Sales Promotion refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product service. These include promotional efforts other than advertising, personal selling and publicity, used by a company to boost its sales. Commonly used *Sales Promotion* Activities include Rebate, Discount, Refunds, Product Combinations, Quantity Gift, Instant Draws and Assigned Gift, Lucky Draw, Usable Benefit, Full Finance @ 0%, sampling, and contests.

Publicity is similar to advertising, in the sense that it is a non-personal form of communication. However, as against advertising it is a non-paid form of communication. In publicity, as the information is disseminated by an independent source. However, an important limitation of publicity is that as a medium of promotion, it is not within the control of a marketing firm.

GLOSSARY

A

activity-based cost (ABC) accounting procedures that can quantify the true profitability of different activities by identifying their actual costs.

advertising any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.

advertorials print ads that offer editorial content that reflects favourably on the brand and are resemble newspaper or magazine content.

anchoring and adjustment heuristic when consumers arrive at an initial judgment and then make adjustments of their first impressions based on additional information.

arm's-length price the price charged by other competitors for the same or a similar product.

aspirational groups groups a person hopes or would like to join.

associative network memory model a conceptual representation that views memory as consisting of a set of nodes and interconnecting links where nodes represent stored information or concepts and links represent the strength of association between this information or concepts.

attitude a person's enduring favourable or unfavourable evaluation, emotional feeling, and action tendencies toward some object or idea.

augmented product a product that includes features that go beyond consumer expectations and differentiate the product from competitors.

available market the set of consumers who have interest, income, and access to a particular offer.

availability heuristic when consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind.

average cost the cost per unit at a given level of production; it is equal to total costs divided by production.

B

backward invention reintroducing earlier product forms that can be well adapted to a foreign country's needs.

banner ads (internet) small, rectangular boxes containing text and perhaps a picture to support a brand.

basic product what specifically the actual product is.

belief a descriptive thought that a person holds about something.

brand a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

brand associations all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and so on that become linked to the brand node.

brand audit a consumer-focused exercise that involves a series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity.

brand awareness consumers' ability to identify the brand under different conditions, as reflected by their brand recognition or recall performance.

brand contact any information-bearing experience a customer or prospect has with the brand, the product category, or the market that relates to the marketer's product or service.

brand development index (BDI) the index of brand sales to category sales.

brand dilution when consumers no longer associate a brand with a specific product or highly similar products or start thinking less favourably about the brand.

brand elements those trademarkable devices that serve to identify and differentiate the brand such as a brand name, logo, or character.

brand equity the added value endowed to products and services.

brand extension a company's use of an established brand to introduce a new product.

brand image the perceptions and beliefs held by consumers, as reflected in the associations held in consumer memory.

brand knowledge all the thoughts, feelings, images:, experiences, beliefs, and so on that become associated with the brand.

brand line all products, original as well as line and category extensions, sold under a particular brand name.

brand mix the set of all brand lines that a particular seller makes available to buyers.

brand personality the specific mix of human traits that may be attributed to a particular brand.

brand portfolio the set of all brands and brand lines a particular firm offers for sale to buyers in a particular category.

brand promise the marketer's vision of what the brand must be and do for consumers.

brand valuation an estimate of the total financial value of the brand.

brand value chain a structured approach to assessing the sources and outcomes of brand equity and the manner in which marketing activities create brand value.

branded entertainment using sports, music, arts, or other entertainment activities to build brand equity.

branded variants specific brand lines uniquely supplied to different retailers or distribution channels.

branding endowing products and services with the power of a brand.

branding strategy the number and nature of common and distinctive brand elements applied to the different products sold by the firm.

breakeven analysis a means by which management estimates how many units of the product the company would have to sell to break even with the given price and cost structure.

brick-and-click existing companies that have added an online site for information and/ or e-commerce.

business database complete information about business customers' past purchases; past volumes, prices, and profits.

business market all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others.

C

capital items long-lasting goods that facilitate developing or managing the finished product.

captive products products that are necessary to the use of other products, such as razor blades or film.

category extension Using the parent brand to brand a new product outside the product category currently served by the parent brand.

category membership the products or sets of products with which a brand competes and which function as close substitutes.

cause-related marketing marketing that links a firm's contributions to a designated cause to customers' engaging directly or indirectly in revenue-producing transactions with the firm.

channel advantage when a company successfully switches its customers to lower-cost channels, while assuming no loss of sales or deterioration in service quality.

channel conflict when one channel member's actions prevent the channel from achieving its goal.

channel coordination when channel members are brought together to advance the goals of the channel, as opposed to their own potentially incompatible goals.

channel power the ability to alter channel members' behaviour so that they take actions they would not have taken otherwise.

communication adaptation changing marketing communications programs for each local market.

communication-effect research determining whether an ad is communicating effectively.

company demand the company's estimated share of market demand at alternative levels of company marketing effort in a given time period.

company sales forecast the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

competitive advantage a company's ability to perform in one or more ways that competitors cannot or will not match.

conformance quality the degree to which all the produced units are identical and meet the promised specifications.

conjoint analysis a method for deriving the utility values that consumers attach to varying levels of a product's attributes.

conjunctive heuristic the consumer sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets the minimum standard for all attributes.

consumer involvement the level of engagement and active processing undertaken by the consumer in responding to a marketing stimulus.

consumerist movement an organized movement of citizens and government to strengthen the rights and powers of buyers in relation to sellers.

consumption system the way the user performs the tasks of getting and using products and related services.

containerization putting the goods in boxes or trailers that are easy to transfer between two transportation modes.

content-target advertising links ads not to keywords but to the contents of Web pages.

contractual sales force manufacturers' reps, sales agents, and brokers, who are paid a commission based on sales.

convenience goods goods the consumer purchases frequently, immediately, and with a minimum of effort.

conventional marketing channel an independent producer, wholesaler(s), and retailer(s).

core benefit the service or benefit the customer is really buying.

core competency attribute that (1) is a source of competitive advantage in that it makes a significant contribution to perceived customer benefits, (2) has applications in a wide variety of markets, (3) is difficult for competitors to imitate.

core values the belief systems that underlie consumer attitudes and behaviour, and that determine people's choices and desires over the long term.

corporate culture the shared experiences, stories, beliefs, and norms that characterize an organization.

corporate retailing corporately owned retailing outlets that achieve economies of scale, greater purchasing power, wider brand recognition, and better-trained employees.

cues stimuli that determine when, where, and how a person responds.

culture the fundamental determinant of a person's wants and behaviour.

customer-based brand equity the differential effect that brand knowledge has on a consumer response to the marketing of that brand.

customer churn high customer defection.

customer consulting data, information systems, and advice services that the seller offers to buyers.

customer database an organized collection of comprehensive information about individual customers or prospects that is current, accessible, and actionable for marketing purposes.

customer lifetime value (CLV) the net present value of the stream of future profits expected over the customer's lifetime purchases.

customer mailing list a set of names, addresses, and telephone numbers.

customer perceived value(CPV) the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.

customer-performance scorecard how well the company is doing year after year on particular customer-based measures.

customer profitability analysis (CPA) a means of assessing and ranking customer profitability through accounting techniques such as Activity-Based Costing (ABC).

customer training training the customer's employees to use the vendor's equipment properly and efficiently.

customer value analysis report of the company's strengths and weaknesses relative to various competitors.

customer value hierarchy five product levels that must be addressed by marketers in planning a market offering.

customerization combination of operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice.

D

data warehouse a collection of current data captured, organized, and stored in a company's contact centre.

database marketing the process of building, maintaining, and using customer databases and other databases for the purpose of contacting, transacting, and building customer relationships.

datamining the extracting of useful information about individuals, trends, and segments from the mass of data.

delivery how well the product or service is delivered to the customer.

demand chain planning the process of designing the supply chain based on adopting a target market perspective and working backward.

direct marketing the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen.

direct-order marketing marketing in which direct marketers seek a measurable response, typically a customer order.

direct product profitability (DPP) a way of measuring a product's handling costs from the time it reaches the warehouse until a customer buys it in the retail store.

direct (company) sales force full-or part-time paid employees who work exclusively for the company.

discrimination the process of recognizing differences in sets of similar stimuli and adjusting responses accordingly.

dissociative groups those groups whose values or behaviour an individual rejects.

distribution programming building a planned, professionally managed, vertical marketing system that meets the needs of both manufacturer and distributors.

drive a strong internal stimulus impelling action.

dual adaptation adapting both the product and the communications to the local market.

dumping situation in which a company charges either less than its costs or less than it charges in its home market, in order to enter or win a market.

durability a measure of a product's expected operating life under natural or stressful conditions.

E

e-business the use of electronic means and platforms to conduct a company's business.

e-commerce a company or site offers to transact or facilitate the selling of products and services online.

e-marketing company efforts to inform buyers, communicate, promote, and sell its products and services over the Internet.

e-purchasing purchase of goods, services, and information from various online suppliers.

elimination-by-aspects heuristic situation in which the consumer compares brands on an attribute selected probabilistically, and brands are eliminated if they do not meet minimum acceptable cutoff levels.

environmental threat a challenge posed by an unfavourable trend or development that would lead to lower sales or profit.

everyday low pricing (EDLP) in retailing, a constant low price with few or no price promotions and special sales.

exchange the process of obtaining a desired product from someone by offering something in return.

exclusive distribution severely limiting the number of intermediaries, in order to maintain control over the service level and outputs offered by resellers.

expectancy-value model consumers evaluate products and services by combining their brand beliefs—positive and negative— according to their weighted importance.

expected product a set of attributes and conditions buyers normally expect when they purchase this product.

experience curve (learning curve) a decline in the average cost with accumulated production experience.

F

fad a craze that is unpredictable, short-lived, and without social, economic and political significance.

family brand situation in which the parent brand is already associated with multiple products through brand extensions.

family of orientation parents and siblings.

family of procreation spouse and children.

features things that enhance the basic function of a product.

fixed costs (overhead) costs that do not vary with production or sales revenue.

flexible market offering (1) a naked solution containing the product and service elements that all segment members value, and (2) discretionary options that some segment members value.

focus group a gathering of six to ten people who are carefully selected based on certain demographic, psychographic, or other considerations and brought together to discuss various topics of interest.

forecasting the art of anticipating what buyers are likely to do under a given set of conditions.

form the size, shape, or physical structure of a product.

forward invention creating a new product to meet a need in another country.

frequency programs (FPs) designed to provide rewards to customers who buy frequently and in substantial amounts.

G

global firm a firm that operates in more than one country and captures R&D, production, logistical, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors.

global industry an industry in which the strategic positions of competitors in major geographic or national markets are fundamentally affected by their overall global positions.

goal formulation the process of developing specific goals for the planning period.

going-rate pricing price based largely on competitors' prices.

gray market branded products diverted from normal or authorized distributions channels in the country of product origin or across international borders.

H

heuristics rules of thumb or mental shortcuts in the decision process.

high-low pricing charging higher prices on an everyday basis but then running frequent promotions and special sales.

holistic marketing a concept based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies.

horizontal marketing system two or more unrelated companies put together resources or programs to exploit an emerging market opportunity.

hybrid channels use of multiple channels of distribution to reach customers in a defined market.

I

image the set of beliefs, ideas, and impressions a person holds regarding an object.

industry a group of firms that offer a product or class of products that are close substitutes for one another.

ingredient branding a special case of co-branding that involves creating brand equity for materials, components, or parts that are necessarily contained within other branded products.

innovation any good, service, or idea that is perceived by someone as new.

innovation diffusion process the spread of a new idea from its source of invention or creation to its ultimate users or adopters.

installation the work done to make a product operational in its planned location.

institutional market schools, hospitals, nursing homes, prisons, and other institutions that must provide goods and services to people in their care.

integrated logistics systems (ILS) materials management, material flow systems, and physical distribution, abetted by information technology (IT).

integrated marketing mixing and matching marketing activities to maximize their individual and collective efforts.

integrated marketing communications (IMC) a concept of marketing communications planning that recognizes the added value of a comprehensive plan.

intensive distribution the manufacturer placing the goods or services in as many outlets as possible.

internal branding activities and processes that help to inform and inspire employees.

interstitials advertisements, often with video or animation, that pop up between changes on a Web site.

J

joint venture a company in which multiple investors share ownership and control.

L

learning changes in an individual's behaviour arising from experience.

lexicographic heuristic consumer choosing the best brand on the basis of its perceived most important attribute.

licensed product one whose brand name has been licensed to other manufacturers who actually make the product.

life-cycle cost the product's purchase cost plus the discounted cost of maintenance and repair less the discounted salvage value.

lifestyle a person's pattern of living in the world as expressed in activities, interests, and opinions.

line extension the parent brand is used to brand a new product that targets a new market segment within a product category currently served by the parent brand.

line stretching a company lengthens its product line beyond its current range.

long-term memory (LTM) a permanent repository of information.

loyalty a commitment to re-buy or re-patronize a preferred product or service.

M

maintenance and repair the service program for helping customers keep purchased products in good working order.

market-buildup method identifying all the potential buyers in each market and estimating their potential purchases.

market demand the total volume of a product that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

market forecast the market demand corresponding to the level of industry marketing expenditure.

market logistics planning the infrastructure to meet demand, then implementing and controlling the physical flows or materials and final goods from points of origin to points of use, to meet customer requirements at a profit.

market opportunity analysis (MOA) system used to determine the attractiveness and probability of success.

market partitioning the process of investigating the hierarchy of attributes consumers examine in choosing a brand if they use phased decision strategies.

market penetration index a comparison of the current level of market demand to the potential demand level.

market-penetration pricing pricing strategy where prices start low to drive higher sales volume from price-sensitive customers and produce productivity gains.

market potential the upper limit to market demand whereby increased marketing expenditures would not be expected to stimulate further demand.

market-skimming pricing pricing strategy where prices start high and are slowly lowered over time to maximize profits from less price-sensitive customers.

marketer someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the prospect.

marketing process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

marketing audit a comprehensive, systematic, independent, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, and activities.

marketing channel system the particular set of marketing channels employed by a firm.

marketing channels sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

marketing communications the means by which firms attempt to inform, persuade, and remind consumers—directly or indirectly— about products and brands that they sell.

marketing communications mix advertising, sales promotion, events and experiences, public relations and publicity, direct marketing, and personal selling.

marketing decision support system (MDSS) a coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and the environment and turns it into a basis for marketing action.

marketing implementation the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives.

marketing information system (MIS) people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute information to marketing decision makers.

marketing intelligence system a set of procedures and sources managers use to obtain everyday information about developments in the marketing environment.

marketing management the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

marketing metrics the set of measures that helps firms to quantify, compare, and interpret their marketing performance.

marketing network the company and its supporting stakeholders, with whom it has built mutually profitable business relationships.

marketing opportunity an area of buyer need and interest in which there is a high probability that a company can profitably satisfy that need.

marketing plan written document that summarizes what the marketer has learned about the marketplace, indicates how the firm plans to reach its marketing objectives, and helps direct and coordinate the marketing effort.

marketing public relations (MPR) publicity and other activities that build corporate or product image to facilitate marketing goals.

marketing research the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

markup pricing an item by adding a standard increase to the product's cost.

materials and parts goods that enter the manufacturer's product completely.

media selection finding the most cost-effective media to deliver the desired number and type of exposures to the target audience.

megamarketing the strategic coordination of economic, psychological, political, and public relations skills, to glain the cooperation of a number of parties in order to enter or operate in a given market.

megatrends large social, economic, political, and technological changes that are slow to form, and once in place, have an influence for seven to ten years or longer.

membership groups groups having a direct influence on a person. **memory encoding** how and where information gets into memory.

memory retrieval how and from where information gets out of memory.

mental accounting the manner by which consumers code, categorize, and evaluate financial outcomes of choices.

microsales analysis examination of specific products and territories that fail to produce expected sales.

microsite a limited area on the Web managed and paid for by an external advertiser/ company.

mission statements statements that organizations develop to share with managers, employees, and (in many cases) customers.

mixed bundling the seller offers goods both individually and in bundles.

multichannel marketing a single firm uses two or more marketing channels to reach one or more customer segments.

multitasking doing two or more things at the same time.

N

net price analysis analysis that encompasses company list price, average discount, promotional spending, and co-op advertising to arrive at net price.

noncompensatory models in consumer choice, when consumers do not simultaneously consider all positive and negative attribute considerations in making a decision.

O

Online alliances and affiliate programs when one Internet company works with another one and they advertise each other.

opinion leader the person in informal, product-related communications who offers advice or information about a specific product or product category.

ordering ease how easy it is for the customer to place an order with the company.

organization a company's structures, policies, and corporate culture.

organizational buying the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

overall market share the company's sales expressed as a percentage of total market sales.

P

parent brand an existing brand that gives birth to a brand extension.

partner relationship management (PRM) activities the firm undertakes to build mutually satisfying long-term relations with key partners such as suppliers, distributors, ad agencies, and marketing research suppliers.

penetrated market the set of consumers who are buying a company's product.

perceived value the value promised by the company's value proposition and perceived by the customer.

perception the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world.

performance quality the level at which the product's primary characteristics operate.

personal communications channels two or more persons communicating directly face-to-face, person-to-audience, over the telephone, or through e-mail.

personal influence the effect one person has on another's attitude or purchase probability.

personality a set of distinguishing human psychological traits that lead to relatively consistent responses to environmental stimuli.

place advertising (also out-of-home advertising) ads that appear outside of home and where consumers work and play.

point-or-purchase (P-O-P) the location where a purchase is made, typically thought of in terms of a retail setting.

potential market the set of consumers who profess a sufficient level of interest in a market offer.

potential product all the possible augmentations and transformations the product or offering might undergo in the future.

price discrimination a company sells a product or service at two or more prices that do not reflect a proportional difference in costs.

price escalation an increase in the price of a product due to added costs of selling it in different countries.

primary groups groups with which a person interacts continuously and informally, such as family, friends, neighbours, and co-workers.

principle of congruity psychological mechanism that states that consumers like to see seemingly related objects as being as similar as possible in their favourability.

private label brand brands that retailers and wholesalers develop and market.

product adaptation altering the product to meet local conditions or preferences.

product assortment the set of all products and items a particular seller offers for sale.

product invention creating something new via product development or other means.

product mix see product assortment.

product penetration percentage the percentage of ownership or use of a product or service in a population.

product system a group of diverse but related items that function in a compatible manner.

profitable customer a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling, and servicing that customer.

prospect theory when consumers frame decision alternatives in terms of gains and losses according to a value function.

public any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives.

public relations (PR) a variety of programs designed to promote or protect a company's image or its individual products.

publicity the task of securing editorial space—as opposed to paid space—in print and broadcast media to promote something.

pull strategy when the manufacturer uses advertising and promotion to persuade consumers to ask intermediaries for the product, thus inducing the intermediaries to order it.

purchase probability scale a scale to measure the probability of a buyer making a particular purchase.

pure bundling a firm only offers its products as a bundle.

pure-click companies that have launched a Web site without any previous existence as a firm.

push strategy when the manufacturer uses its sales force and trade promotion money to induce intermediaries to carry, promote, and sell the product to end users.

R

reference groups all the groups that have a direct or indirect influence on a person's attitudes or behaviour.

reference prices pricing information a consumer retains in memory which is used to interpret and evaluate a new price.

relational equity the cumulative value of the firm's network of relationships with its customers, partners, suppliers, employees, and investors.

relationship marketing building mutually satisfying long-term relationships with key parties, in order to earn and retain their business.

relative market share market share in relation to a company's largest competitor.

reliability a measure of the probability that a product will not malfunction or fail within a specified time period.

repairability a measure of the ease of fixing a product when it malfunctions or fails.

representativeness heuristic when consumers base their predictions on how representative or similar an outcome is to other examples.

risk analysis a method by which possible rates of returns and their probabilities are calculated by obtaining estimates for uncertain variables affecting profitability.

role the activities a person is expected to perform.

S

sales analysis measuring and evaluating actual sales in relation to goals.

sales budget a conservative estimate of the expected volume of sales, used for making current purchasing, production, and cash flow decisions.

sales promotion a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.

sales quota the sales goal set for a product line, company division, or sales representative.

sales-variance analysis a measure of the relative contribution of different factors to a gap in sales performance.

satisfaction a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to his or her expectations.

scenario analysis developing plausible representations of a firm's possible future that make different assumptions about forces driving the market and include different uncertainties.

search-related ads ads in which search terms are used as a proxy for the consumer's consumption interests and relevant links to product or service offerings are listed along side the search results.

secondary groups groups which tend to be more formal and require less interaction than primary groups, such as religious, professional, and trade-union groups.

selective attention the mental process of screening out certain stimuli while noticing others.

selective distortion the tendency to interpret product information in a way that fit consumer perceptions.

selective distribution the use of more than a few but less than all of the intermediaries who are willing to carry a particular product.

selective retention good points about a product that consumers like are remembered and good points about competing products are forgotten.

served market all the buyers who are able and willing to buy a company's product.

served market share a company's sales expressed as a percentage of the total sales to its served market.

service any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

share penetration index a comparison of a company's current market share to its potential market share.

shopping goods goods that the consumer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price, and style.

short-term memory (STM) a temporary repository of information.

social classes homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behaviour.

social marketing marketing done by a nonprofit or government organization to further a cause, such as "say no to drugs."

specialty goods goods that have unique characteristics or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort.

sponsorship financial support of an event or activity in return for recognition and acknowledgment as the sponsor.

stakeholder-performance scorecard a measure to track the satisfaction of various constituencies who have a critical interest in and impact on the company' s performance.

status one's position within his or her own hierarchy or culture.

straight extension introducing a product in a foreign market without any change in the product.

strategic brand management the design and implementation of marketing activities and programs to build, measure, and manage brands to maximize their value.

strategic business units (SBUs) a single business or collection of related businesses that can be planned separately from the rest of the company, with its own set of competitors and a manager who is responsible for strategic planning and profit performance.

strategic group firms pursuing the same strategy directed to the same target market.

strategic marketing plan laying out the target markets and the value proposition that will be offered, based on analysis of the best market opportunities.

strategy a company's game plan for achieving its goals.

style a product's look and feel to the buyer.

sub-brand a new brand combined with an existing brand.

subculture subdivisions of a culture that provide more specific identification and socialization, such as nationalities, religions, racial groups, and geographical regions.

subliminal perception receiving and processing subconscious messages that affect behaviour.

supersegment a set of segments sharing some exploitable similarity.

supplies and business services short-term goods and services that facilitate developing or managing the finished product.

supply chain management (SCM) procuring the right inputs (raw materials, components, and capital equipment); converting them efficiently into finished products; and dispatching them to the final destinations.

T

tactical marketing plan marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

target costing deducting the desired profit margin from the price at which a product will sell, given its appeal and competitors' prices.

target market the part of the qualified available market the company decides to pursue.

target-return pricing determining the price that would yield the firm's target rate of return on investment (ROI).

telemarketing the use of telephone and call centres to attract prospects, sell to existing, customers, and provide service by taking orders and answering questions.

total costs the sum of the fixed and variable costs for any given level of production.

total customer cost the bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychic costs.

total customer value the perceived monetary value of the bundle of economic, functional, and psychological benefits customers expect from a given market offering.

total quality management (TQM) an organizationwide approach to continuously improving the quality of all the organization's processes, products, and services.

tracking studies collecting information from consumers on a routine basis over time.

transaction a trade of values between two or more parties: A gives X to B and receives Y in return.

transfer in the case of gifts, subsidies, and charitable contributions: A gives X to B but does not receive anything tangible in return.

transfer price the price a company charges another unit in the company for goods it ships to foreign subsidiaries.

trend a direction or sequence of events that has some momentum and durability.

two-part pricing a fixed fee plus a variable usage fee.

tying agreements agreement in which producers of strong brands sell their products to dealers only if dealers purchase related products or services, such as other products in the brand line.

U

unsought goods those the consumer does not know about or does not normally think of buying, like smoke detectors.

V

value-delivery network a company's supply chain and how it partners with specific suppliers and distributors to make products and bring them to markets.

value-delivery system all the expectancies the customer will have on the way to obtaining and using the offering.

value network a system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings.

value pricing winning loyal customers by charging a fairly low price for a high-quality offering.

value proposition the whole cluster of benefits the company promises to deliver.

variable costs costs that vary directly with the level of production.

venture team a cross-functional group charged with developing a specific product or business.

vertical integration situation in which manufacturers try to control or own their suppliers, distributors, or other intermediaries

vertical marketing system (VMS) producer, wholesaler(s), and retailer(s) acting as a unified system.

viral marketing using the Internet to create word of mouth effects to support marketing efforts and goals.

Y

yield pricing situation in which companies offer (1) discounted but limited early purchases, (2) higher-priced late purchases, and (3) the lowest rates on unsold inventory just before it expires.

Z

zero-level channel (direct-marketing channel) a manufacturer selling directly to the final customer.