UNIT – I
MARKETING AND MANAGEMENT

INTRODUCTION

Marketing, as indicated in the term, denotes a process that is continuous in nature. The market should be continuously involved in initiating, conducting and finalizing transactions and exchange. This is an unending process and would continue till production and consumption cease to exist in theworld.

The term 'marketing' can be defined analytically or operationally. The analytic way of explaining the terms to show how marketing differs from various other activities of a firm, marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "***meeting needs profitably".***

DEFINITION OF MARKETING

According to American Marketing Association (2004) - "Marketing is an organizational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organization and the stakeholder."

According to Eldridge (1970) - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to Kotler (2000) - "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

NATURE OF MARKETING

When discuss the nature of marketing management, we come to know that it is both a science as well as an art. The handling of marketing responsibilities clearly calls for a diversity of human talents. These responsibilities require the men who have personality traits which will enable them to do an effective job in dealing with customer. They must be artistic and imaginary people to create effective advertising and sales programmes and to develop new ideas in distribution methods. They must have strong analytical abilities to cope with the strategically and logistical aspects of marketing operations. This proves that marketing management is a science. On the other hand, a continuous practice in the problems of personalizing, advertising and sales promotion etc., develops in them a group of 'artists'. Thus, we conclude that marketing is both science as well as an art.

In modern times, these two streams the scientific aspect of marketing management and artistic aspect of marketing management, influence and educate each other and out of this intermingling comes the new generation of successful marketing managers. In order to be a successful marketing manager, a person needs to acquire multidisciplinary skills from fields like art, psychology, economics, sociology, technology, accounting, etc. The customer needs are varying and before purchasing any product he may ask several questions totheMarketers which must be answered to the satisfaction of the customer. This is possible only when a marketer has skill and expertise to take up his job.

SCOPE OF MARKETING

Barker and Anshensay, ‑The end of all the marketing activities isthe satisfaction of human wants. Through the satisfaction of human wants, profits are rewarded to the business and the reward is inducement for marketing. Now the time has changed and scope of marketing is more than securing profits.

The following are the aims of marketing:

- To intelligent and capable application of modern marketingpolicies.
- To develop the marketingfield.
- To develop guiding policies and their implementation for a goodresult.
- To suggest solutions by studying the problems relating tomarketing.
- To find sources for further information concerning the marketproblems.
- To revive existing marketing function, if shortcomings arefound.
- To take appropriate actions in the course ofactions.

FUNCTIONS OF MARKETING

Marketing function	**Description**
A. Exchange functions Buying Assembling Selling	 -Ensuring that product offerings are available in sufficient quantities to meet customer demands. -It starts after the goods have beenproduced. -Using advertising, personal selling and sales promotion to match goods and services to customer needs.
B. Physical distribution functions Transporting Storing	 -Moving products from their points of production to locations convenient for purchasers. -Warehousing products until needed for sale.
C. Facilitating functions Standardizing andgrading Financing Risktaking Securing marketinginformation	 -Ensuring that product offerings meet established quality and quantity control standards of size, weight and so on. -Providing credit for channel members or consumers. -Dealing with uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in the future. -Collecting information about consumers, competitors and channel members for use in marketing decision making.

Firms must spend money to create time, place and ownership utilities as discussed earlier. Several studies have been made to measure marketing costs in relation to overall product costs and service costs and most estimates have ranged between 40-60 percent. These costs are not associated with raw materials or any of the other productionfunctions.

Necessary for creating form utility. What does the consumer receive in return for this proportion of marketing cost? This question is answered by understanding the functions performed by marketing.

In the above table, marketing is responsible for the performance of 8 universal functions: buying, selling, transporting, storing, standardizing and grading, financing, risk taking and securing marketing information. Some functions are performed by manufacturers, others by marketing intermediaries like wholesalers and retailers. Buying and selling, the first two functions represent exchange functions. Transporting and storing are physical distribution functions. The final four marketing functions – standardizing and grading, financing, risk taking and securing market information – are often called facilitating functions because they assist the marketer in performing the exchange and physical distributionfunctions.

ROLE OF MARKETING IN INDIA

In ancient and medieval period, the marketing practices from 2,000 years ago to the 17th century, when the British East India Company started operating in India. The colonial encounter changed the marketing system and consumption in considerable ways. On the post- colonial period some of the developments in marketing after India's independence in 1947. The centers of marketing and selling India have a fairly diverse geography and climate, and the nature of commercial activity in the littoral towns differed considerably from that in the interiors. Physical constraints in navigation meant that items such as spices, silks and pearls were easier to trade, given that these items did not weigh much and could be transported easily (Roy, 2012). Moreover, that towns situated on coasts, or at places where the river met the coast, enjoyed advantages with regard to trade, since it was much easier to carry cargo through rivers and the sea, as compared to over land.

The selling and buying activity in these sites was however more akin to that happening in a seasonal trade fair, rather than that of an established commercial centre (Roy, 2012).Early records indicate that urban centers appeared in north India in the Gangetic plain, around the first millennium, and the first century period was marked by considerable economic growth and prosperity (Ray,1985).

Merchants obtained goods such as wheat, rice, clarified butter, sesame oil, cotton cloth and honey from ships that arrived in port through mutual agreement with merchants living in other regions, or directly from producers, and these goods were then sold in urban centers through retail outlets (Ray, 1985). Major ports such as Bharuch in western India and other ports along the Konkan coast in the south-west facilitated trade with the Persian Gulf (Ray, 1985). From the findings, many centuries ago, a fairly complex marketing network comprising producers, wholesale merchants, retailers and itinerant merchants, all of whom exchanged goods and services in major ports and urban centers. Looking at the marketing centers of a later era, the Chola period had roughly from 850 to1279.

Currently in India, the national economy and marketplace are undergoing rapid changes and transformation. A large number of reasons could be attributed to these changes.

One of the reasons in these changes in the Indian Market Scenario is Globalization, and the subsequent and resulting explosive growth of global trade and the international competition. The other reason for these changes in the Indian Market Scenario is the technological change. This is an important factor because the technological competitiveness is making, not only the Indian market, but also the global marketplace cutthroat.

In the Indian Marketing Scenario, the market success goes to those companies that are best matched to the current environmental imperatives. Those companies that can deliver what the people want and can delight the Indian customers are the market leaders. Today the companies are operating in such a marketplace where survival of the fittest is the law. In order to win, the companies are coming out with various new and evolving strategies because the Indian market is also changing very fast. It is to capture the Indian market, that the Indian and the Multi-National Companies are using all of theirresources.

The Indian market is no longer a sellers market. The winner is the one who provides value for money. A large number of companies have huge idle capacities, as they have wrongly calculated the market size and installed huge capacities. This has further contributed to converting the Indian market into a buyers market. The Indian Marketing Scenario is one of the biggest consumer markets and that is precisely the reason why India has attracted several MNC's. These large Multi-National Companies have realized that to succeed in the Indian market-place they need to hire Indian representative who are much more aware of the Indian economic, political, legal and social realities. In the Indian Marketing Scenario, it is the MADE FOR INDIA marketing strategies that work.

CONCEPTS OF MARKETING

Marketing Concept means the philosophy which guides the marketing, efforts, i.e., what weight should be given to the interests of the organization, consumers and the society. Very often these interests are conflicting. There are five marketing concepts which are adopted by organizations for their marketing activities.

1.The productionconcept
2.The productconcept
3.The sellingconcept
4.The marketingconcept
5.The socio marketingconcept

1. The productionconcept

This concept holds that the consumer will support those products that are produced in large quantities at low unit cost. The authorities of this view believe that marketing can be managed by managing production. Itinvolves high production efficiency and wide distribution network. This concept holds good in cases where there is more demand than supply. In such a situation consumers readily accept the product that is made available e.g., cooking gas. Hence large-scale production (easy availability) assumes much significance. There is another situation where the products cost is high; to expand the market, it is desired to reduce the unit cost by large-scale production, e.g., price of electronic calculators and quartz watches have come down considerably. But easy availability and low cost are notonly the conditions governing customers buying decisions.

2. The productconcept

The product concept holds that consumers will favour those products that offer the most quality, performances and features. Managers in these product oriented organisation focus their energy on making good products and improving them over time. Philip Kotler, emphasis on product excellence, i.e., quality, performance, and features. The assumption is that customers will automatically buy products of high quality and evaluates product excellenceandiswillingto pay for -extras.Therefore,producersclaimthatthey make the best and their products have several extras, e.g., a three-dimensional TV. Godrej puffRefrigerator,etc.Theyaremuchimmersedintheirproductandtheyenterintoa-love affair with the product forgetting other factors that contribute to consumers satisfaction. The problem is that they fail to study the market and the consumers in depth, that is, the consumer needs, what the consumer would gladly acceptetc.

3. The sellingconcept

This concept assumes that consumers in the absence of any selling effort, will not purchase the products. Hence they must be induced or pleased to purchase the products by means of selling and promotion efforts. This concept is often practiced in selling unsought goods, i.e., those goods that buyers normally do not think of buying. For example unless some promotional efforts are made, people will not purchase dictionaries, encyclopedias, insurance policies, invest in savings schemes etc., people in the non- profit areas also practice selling concept. e.g., by charitable institutions, educational institutions, political parties etc. At the time of election, a political party sells its candidate as the - most fantastic person for the job. He offers - Namaste with folded hands, shaking hands, fondling children, enquires about the welfare of old peopleetc.

Many firms give prime importance to selling. They try to sell what they have manufactured, rather it should be the other way: make what they can sell. They forget the fact that if selling is to be effective, it should be preceded by an assessment of the need, marketing research, product, price and distribution, Pre-occupation with selling concept gives an impression that marketing is aggressive selling and advertising. The fact that marketing is not selling it is only one aspect of marketing is not taken intoconsideration.

4. The MarketingConcept

Marketing concept is a philosophy of business that states that the customers want satisfaction is the economic and social justification for a firm existence. As a result, all activities of a company should be directed towards finding out the needs of the customers and then satisfying those needs; at the same time make profits by fulfilling customers satisfaction.

The distinguishing features of marketing concept are: market focus, customer orientation, co-ordinate marketing and profitability. No company can satisfy the needs of customers, in a particular market. A company cannot manufacture different types of dress materials for the readymade garments market. So it focuses on a particular segment, say, readymade shirts for gents and so on.

In the above example, the company may manufacture shirt from finest textiles for the upper class market, to suit their requirements. Fuel efficient motor bikes are another example. Co-ordinate marketing indicates that the various marketing functions such as sales force, advertising, distribution, marketing etc., must be fully coordinated Italso stresses need that marketing must be co-ordinate with other departments such as finance, manufacturing etc., in the company. Profitability in a business firm means profit and in a non-profit organization it indicates its survival and attracting sufficient funds for its working. Thisgoalistobeachievedbythe organization bysatisfyingtheneedsoftheircustomers.

Differences between selling and marketing:

SELLING	MARKETING
Selling starts with seller	Marketing starts with buyer
Selling focuses on the needs of the seller	Marketing on the needs of thebuyers
Selling refers goods and services	Marketing refers customer satisfaction
Packing is enough for product protection	Packing is for convenient to customers
Cost determines price	Consumer determines price
Customer is last	Customer is first

5. The socio marketingconcept

No doubts that the customers needs are to be satisfied. But a school of thought that is gaining momentum is that while satisfying the needs of the customer, in the long- run, the society welfare also should be looked into. The new thinking has slowly encroached uponthe marketing concept.The newconcept isknown as-the human concept,the intelligent consumption concept, Theecological imperative concept– all stressingdifferentaspects. Kotler calls it as —the societal marketing concept. According to him: The societal marketing concept holds that the organizations task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumers and the society's well-being. The distinguishing feature is that the company should balance three factors: profits, consumer want satisfaction and public interest. Under this approach a company has to take into consideration several factors affecting the product and the society e.g., product safety, non-pollutant motor vehicles, using containers which decompose naturally etc. The societal marketing approach imposes several responsibilities onmarketers.

MARKETING PROCESS

The Marketing Process of a company typically involves identifying the viable and potential marketing opportunities in the environment, developing strategies to effective utilize the opportunities, evolving suitable marketing strategies, and supervising the implementation of these marketing efforts. Marketing process involves ways that value can be created for the customers to satisfy their needs. Marketing process is a continual series of actions and reactions between the customers and the organisationswhich are makingattempttocreatevalueforandsatisfyneedsofcustomers.Inmarketingprocess. Thesituation is analyzedto identify opportunities, the strategy is formulated for a value proposition, tactical decisions are taken, plan is implemented,andresultsare monitored. The marketing process can be divided in several different ways.

One popular conceptualization of marketing tasksis:

- Strategy formulation – the development of the broadest marketing/business strategies with the longest termimpact.
- Marketing planning – the development of longer-term plans which have generally stronger impact than the short-termprograms.
- Marketing programming, allocating and budgeting – the development of short-term programs which generally focus on integrated approaches for a given product and on the allocation of scarce resources such as sales effort or product development time across various products andfunctions.
- Marketing implementation – the actual task of getting the marketing jobdone.
- Monitoring and auditing – the review and analysis of programs, plans and strategies to assess their success and to determine what changes must bemade.
- Analysis and research – the deliberate and careful acquisition and examination of qualitative and quantitative data to improve decisionmaking.

CONSUMER BUYING BEHAVIOUR

The modern marketing management tries to solve the basic problems of consumers in the area of consumption. To survive in the market, a firm has to be constantly innovating and understand the latest consumer needs and tastes. It will be extremely useful in exploiting marketing opportunities and in meeting the challenges that the Indian market offers. It is important for the marketers to understand the buyer behaviour due to the following reasons.

- It is significant for regulating consumption of goods and thereby maintaining economicstability.
- It is useful in developing ways for the more efficient utilizationof resources of marketing. It also helps in solving marketing management problems in more effectivemanner.
- Today consumers give more importance on environment friendly products. They are concerned about health, hygiene and fitness. They prefer natural products. Hence detailed study on upcoming groups of consumers is essential forany firm.
- The growth of consumer protection movement has created an urgent need to understand how consumers make their consumption and buyingdecision.
- Consumerstastes and preferences are ever changing. Study of consumer behaviourgives information regarding colour, design, size etc. which consumers want. In short, consumer behaviourhelps in formulating of productionpolicy.
- For effective market segmentation and target marketing, it is essential to have an understanding of consumers and theirbehaviour.

Classification of consumers

- PersonalConsumers
- OrganizationalConsumers
- ImpulseConsumers
- Need-basedConsumers
- Discount DrivenConsumers
- HabitualConsumers

Personal Consumers:

This type of consumer is an individual consumer who buy productsor services for own use, or for family, or for household use. Finished products are purchased by personal consumer and the purchases are done in small quantities.

Organizational Consumers:

This type of consumer can be a business, government, profit or non-profit organisation, or agency who purchases goods or services for organisationto function or for resale purpose. Purchases are done in the form of raw-materials that are processed to finished goods and offered for sale to other consumers.

Impulse Consumers:

This type of consumer do unplanned purchases.Purchasing a particular product was not a priority, but when the consumerencounterthatproduct, he makes swift buying decision. Impulse consumer purchase what seems good at thetime.

Need Based Consumer:

This type of consumer has a specific intention to purchase a particular type of product. Need-based Consumer is driven by a specific need. He makes buying decision when he actually need that product and not any other time.

Discount Driven Consumers:

This type of consumers do purchases when they get some lucrative offer or discount. Their buying decision is highly based on offers or discounts.

Habitual Consumers:

Person who is habitual to the usage or consumption of a kind of product is called habitual consumer. For example - person who smoke

Factors Influencing Purchase Decisions

The act of purchasing a product can be very complex. The buyer has to take several factors into consideration. The purchasing decision process is looked at from different angles by economists, sociologists, psychologists etc. An economist may argue that the consumer takes price and utility into consideration while a psychologist says it is emotional reasons behind purchase etc. But it is to be noted that a single factor alone will not induce purchase decisions; whereas several factors influence the customer in his purchase decision. They are:
Cultural Factors, Social Factors, Personal Factors and Psychological Factors

Cultural factors

Culture consists of ideas, customs and art that are produced or shared by a particular society. Culture is a set of values, ideas, attitudes and other symbols and objects created by people which shape human behavior. Culture does not refer to an individual's instinctive response.Thesymbolsmaybeintangible(attitudes,beliefs,values,languages,religious)orTangible (tools, housing, productsworks of art). A culture implies a totally learned -handed- down way of life.

Individuals buying behaviour is largely influenced by culture. It mainly determines a person's wants and behaviour. Culture is dynamic, changing and adaptive over time. As a result the values and needs of the society change. The influence of culture can be seen in areas such as quality of life, role of women, changes in home family life, changing attitudes towards work and pleasure, increased leisure time, desire for convenience goods etc. Marketers must see that products and services do satisfy these changing roles, values and needs.

a) Sub-Culture

A sub-culture is a distinct cultural group having specific identification and mobilisation, existing within a larger culture. The people in the sub-culture have many of the cultural values of the overall society, but at the same time they profess beliefs, values and customs which identify them as a separate group, e.g., Hinduism has a culture but Hindus are divided into several groups on caste lines and each castes has its own beliefs, values and customs. Marketer should have knowledge of the sub-culture, because the members of each sub-culture show different purchase behaviour patterns.

Social factors

Social stratification has become part and parcel of the society. A novel class may be defined as a group of individuals who share similar behaviour, values, interests and life- styles. Usually people nominally choose their friends and associates on the basis of commonality of interests. In this respect, social classes restrict their interaction especially with regard to social function. The hierarchical nature of social group prompts people to position their social group as either above or below other groups. For convenience we can classify social class as upper-class, middle-class and lower-class.

a) Social Class and ConsumptionBehaviour

The behaviour patterns of social classes vary with regard to media preferences, shopping patterns, leisure time activities, and saving and spending habits. Usually members of upper-class prefer magazines and newspapers and television programs stressing current events, while lower-class prefer publications and TV programs dramatizing romance; serials and quiz shows. Exclusive shops, e.g., Raymonds shops are usually patronized by upper- class; and middle class and lower class shop from the ordinary retail stores. Different types of social classes choose different types of leisure time activities. Parks, museums and swimming pools which are open to the public are most frequented by the middle class and rarely by the lower class. Exclusive clubs with facilities for tennis, golf etc., are preferred by theupper-class.

With regard to saving and spending habits, the tendency to save money increases with the higher social class. People in the higher classes take life insurance policies and invest in stock market. Lower class people usually put money in savings bank. Bank credit, installment facilities are utilised for purchasing durable home appliances and furniture by the middle and lower classes whereas bank credit cards are utilized for convenience purposes by the higher classes. In short, social classes exert much influence on products andbrandpreferences relating to clothing, selecting restaurants, entertainments, home furnishings, etc.

b) Reference Groups

A reference group is any set of individuals that influence another individual when he or she makes a decision. But if a group does not affect a person's attitudes or behaviour it is not a reference group. Examples of reference groups are Lions Club, Indian Medical Association, religious groups, political parties,etc.

Marketers give much importance to reference groups, because reference groups influence consumers in several ways: An individual is exposed to new behaviours and life-styles; influences a person's attitudes and self-concept, and the person's choice of product and brands are indirectly pressurized to conformity with the group. In other words, a person's purchase behaviour is greatly influenced by the reference groups to which he belongs. This can be clearly seen in the case of clothing, cigarettes etc. Manufacturers often spend large amount of money to create images of the type of people who use their products, e.g., advertisements of Wills Cigarettes, Louis Phileppe shirtsetc.

c) Family

Family is the most important reference group that shapes a buyer's behaviour. According to Kotler, we can distinguish between two families in the buyer's life. First, the family orientation consists of one's parents. A person acquires an orientation towards religion, politics, and economics and a sense of personal ambition, self-worth and love from parents. The influence of parents will be more where children continue to live with their parents. The second is the family people form when they marry and live separately from their parents. Parental influence is less in thiscase.

Marketers are interested in studying the role and influence of the members of the family – husband, wife and children – in purchasing products and services. In family purchases, usually, husband is dominant in taking decisions regarding life insurance, automobiles etc., and wife has a dominant role in selecting washing machines, kitchenware and the like, whereas both husband and wife jointly decide about vacation plans, housing, outside entertainment etc. Now-a-days, teenage children with their exposure to so many advertisements and influence of friends, also play an important role in making purchases especially in the case of TV sets, stereos, their clothing etc.

Personal factors

Purchasing behaviour varies according to one's roles and status. An individual has to play different roles in the society – in the family as father, in the company as manager etc. Depending on the role, society accords status to it, e.g., Managing Director of a company, University Professor, Physician etc., People make purchase that shows their role and status in the society. In the same way, purchases also vary according to the age and life-cycle stage. Occupation of a person is another deciding factor. Usually people purchase products to suit their occupation, e.g., white stocking and white shoes for nurses. Economic circumstances of a person, his disposable income, borrowing power, spending versus saving habit etc., exert influence on purchases. Life-style of a person reflects the items he or she usually purchases. A person's life style is the person's pattern of living in the world as expressed in the person's activities,interestsandopinions. Life-styleportraysthe-wholepersoninteractingwithhisor her environment. Kotler-. Marketers try to identify their products with different life-style groups, e.g., advertisements of Gwalior Suiting and Raymond's Park Avenue readymade dresses show certain specific life-styles.

Personality and self-concept influence the buying behaviour of consumers. William J.Stanton, definespersonality -asan individual'spatternoftraitsthat are adeterminant of behaviour response. It is an individual's most consistent pattern of responses. Personality is very often described as the sum total of traits such as self- confidence, dominance, autonomy, sociability, defensiveness and adaptability. We note inconsistency in the behaviour of individuals. Based on the inconsistency in behaviour, people are usually categorized as egoistic, ambitious, introvert, extrovert etc. In short, each person has a distinct personality and this affects one's buying behaviour. Marketer's advertising appeals to suit each personalitygroups.
Self-concept or self-image is another determinant of buyer behaviour. Self-image is how we see our self and at the same time, it is the picture we think others have about us. For example, a young man may view himself as an intellectual self-confident, ambitious business executive. Usually a distinction is drawn between self-image (the way we really see our self) and the ideal selfimage(theway we want to be seen) . The ideal self-image is the -image to which a person aspires. Self-image is influenced by physiological and psychological needs and conditioned by economic and demographic factors and influence of social groups. In buying behaviour, people choose goods and services that are close to their ideal self- image. For example, those who think themselves as good players join sports clubs, a young business executive may join a tennis club because he thinks tennis is the sport for rising executives. Marketers try to project their products to suit the target market.

Psychological factors

The psychological factors which influence a person's buying behaviour are motivation, perception, learning and beliefs and attitudes.

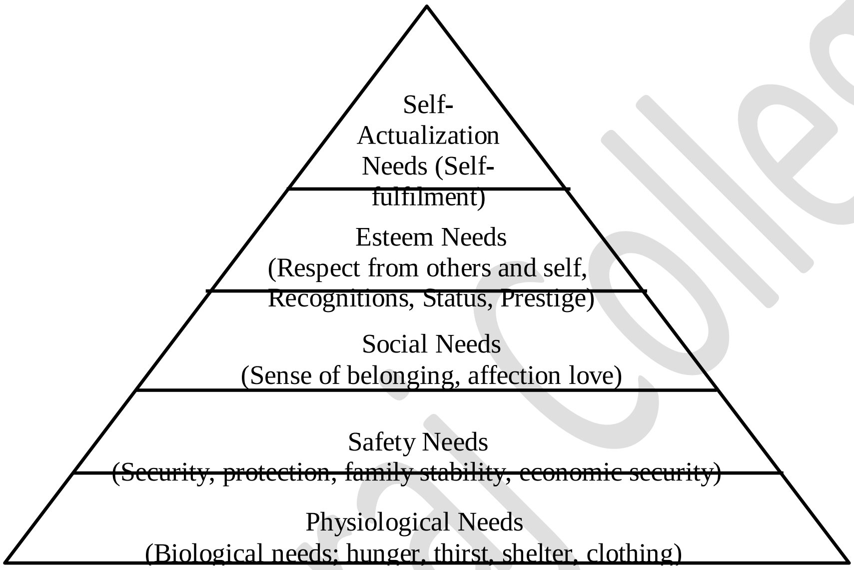
a) Motivation

Motivation isconsidered asthe -why of behaviour.According to Marguerite C. Burk, -motivation refersto the drives, urges,wishesor desireswhich initiate the sequence of events known as behaviour. A motive (or drive) may be defined as a stimulated need that an individual seeksto satisfy. Motivesare innerthat direct peopletowardthe goal of satisfying a felt need. The individual is moved to take action to reduce a state of tension and to return to a condition of equilibrium. Hunger, security and prestige are examples. It is to be noted that a need be aroused or stimulated before it becomes a motive. The arousal may be internal (feeling hungry) or external (an advertisement for food or dress). Besides, just thinking about a need (dress materials) may trigger the arousal of that need (say, a newshirt).

Psychologists classify motives into two broad categories:

1. biogenic needs (food, shelter, clothing etc.) which arise from physiological states of tension
2. psychogenic needs (affection, love, status etc). which arise from psychological states of tension.

Abraham Maslow, in his book, “Motivation and Personality”has put forward aTheoryofmotivation called holistic-dynamic theory.Maslow identified a hierarchy of five levels of needs – physiological needs, safety needs, social needs, esteem needs and self- actualization needs. According to him when the needs of people at one level are satisfied, they will go to the next higher level and so on. At the same time it is to be noted that only very few people move through all five levels. Maslow’s hierarchy of needs is shown below.



Physiological Needs

The basic needs such as food, shelter, clothing are present in all human beings and have to be satisfied first. Products under this category require comparatively lesser marketing techniques. This holds good in the case of food materials such as rice, wheat, vegetables, milk, pulses etc. But in the case of clothing, the situation has changed considerably. Now we find stiff competition among marketers. Through advertisements, Gwalior Suiting, Bombay Dyeing, and many others try to woo the customers to purchase their products.

Safety Needs

This category includes physical security, economic and social security, protection etc. Bank accounts, life insurance policies, fire and theft insurance policies, membership in a health scheme are examples.Life insurance Corporation of India’s-JeevanDhara, Unit Trustof India’s-ULI(Unit Linked Insurance Policy).CancerCarefor Life introduced by Regional Cancer Centre, Trivandrum – are now being successfullymarketed.

Social Needs

Sense of belonging, affection and love or the desire to be accepted by the members of the family and other individuals and groups come under social needs. The individual may join a group or club (Lions/Rotary Club) and naturally he tries to conform to their standards in the matter of dress and behaviour. So marketers try to introduce products which cater to the requirements of the group. Special attention is required with regard to make, packing, branding etc., of the products and he should keep in view the sentiments of the consumer. The consumers state of mind and feelings shall be exploited by the marketers in marketing suchgoods.

Esteem Needs

Respect from others and self, recognition, status, prestige etc., are associated withesteem needs. The individual feels a sense of accomplishment, achievement and respect from others.Hewants to -excel others.-The person has a desire to stand out from the crown in some way. As regards goods satisfying the esteem needs of customers the motto seems to be,-Higherthe price, the higherthe demand. Quality improvements, at tractive appearance and costly inputs may be the salient features of production of goods under this category. Examples are: Rolex watches, Maruti 1000 cars, Cartier pens, perfumes, costly silk sarees, diamond ear rings etc. A careful impression management technique can be adopted in marketing suchgoods.

Self-actualization Needs

Maslowdefinesself– actualizationas, Thehealthymanisprimarily motivatedbyhis needs to develop and actualize his fullest potentialities and capacities. What man can be, he must be, this is the desire to achieve to the maximum of one's capabilities. Consumers coming under this category are rare and they may find satisfaction of their need in specialized selling institutions. A trophy for a prestigious tournament can be included in this category of goods. Firms trying to market such goods should go for excellence in workmanship and innovation in product manufacture and presentation. Standardized production is of little signification here. Hence, workmanship and innovation themselves serve as strategies, of course, with the necessary communication in the form of advertisement, etc.

b) Perception

Perception is the meaning we attribute to stimuli received through the five senses. It is the process by which individuals become aware of products of services. We become aware of the environment around as through our five senses: seeing, hearing, touching, tasting and smelling. Perception is the process by which individuals become aware of and giving meaning to their environment. Our past experience also influences perception. Very often question is asked why people perceive situations/products differently. This is because each of us interprets information in an individual way, that is, very often we perceive only what we want toperceive.

An understanding of perception is very important to marketers because it gives them an idea about what consumers believe. For example, all brands of Soda are practically the same. But some brands are promoted as superior and many consumers believe them as such, because they perceive them differently. Everyday, we are exposed to a large number of stimuli, say, advertisements. So unless something, special stimuli is provided, marketer will not be able to attract consumer'sattention. That is why marketer gives a colour advertisement, where most advertisements are in black and white or just the opposite. Again he may give one or two colours in a black and white advertisement copy (e.g., Colgates Gel advertisement) or just theopposite.

c) Learning

Learning refers to changes in behaviour, as a result of experience. That means, most of human behaviour results from the process of learning. From the marketers point of view, learning involves five concepts: drive, cue, response, reinforcement and retention. A drive is any strong internal stimulus that impels action, e.g., fear, hunger etc. A cue is an external stimulus in the environment which determines how the individual responds to drive. Advertisement of a restaurant may serve as a cue for an individual to satisfy his drive (hunger) by visiting the restaurant. The individuals reaction to the drive and cues is the response. The reaction of individuals varies depending on their past responses. Reinforcement results when the satisfaction is derived from a response. Retention is remembering what islearned.

Marketing implications of learning are many. Learning and brand loyalty are closely related. We purchase most of regular use items based on past experience. If we are satisfied with an item, we may again purchase the same – there is repeat purchase. Dissatisfaction may force the consumers to select another brand. Hence marketers aim should be to develop agroupofconsumerswhoareloyaltotheirproducts–repeatedlypurchasingtheirproducts – and-even search for a particularbrand.

Advertising plays the major role in providing cues to consumers about products and their performances. Advertising also suggests responses and increases consumer anticipation of reinforcements. Retaining the cues, given in the advertisement in the consumers mind depends on a number of factors. If the consumer is exposed to the advertisement frequently, it is likely that he will remember it. Again, spreading the advertising message over a particular period of time rather than concentrating it on a short period also enhances retention.

d) Beliefs andAttitudes

Beliefs and attitudes develop gradually over a period of time as a result of experience. Family, friendsand reference groupsinfluence beliefsand attitudes.-A belief is a descriptive thought that a person holds about something. Beliefs may be based on knowledge, opinion or faith. Our attitude to something is the way we think and feel about it.. Attitudes are a persons enduring favorable or unfavorable evaluations, emotional feelings or positive or negative tendencies towards some object or idea e.g., attitude towards religion, politics, food, films etc. Attitudes are seldom neutral; they reflect positive or negative feelings. Beliefs and attitudes indicate value judgments and they exhibit positive or negative preferences and viewpoints towards a product, brand orservice.

Marketers are interested in studying the consumer’s attitudes towards products and services. These help in introducing products and services. The marketer’s ability to understand, predict and influence consumer attitudes helps, to a great extent, the success of a product. A marketer has three options will regard to consumer attitudes. Conform or change existing attitudes or create new attitudes. Conforming to the existing attitudes is the easiest one. Changing or creating new attitudes are difficult. Advertising is very often used extensively in changing attitudes. Social environment also influences attitude changes e.g., preference for cholesterol free oils. When introducing a new product or repositioning an old product, the strategy of creating new attitude is employed

UNIT - II
MARKET SEGMENTATION

Market consists of buyers, and buyers differ in one or more respects. Buyer'sbehaivour is a complex phenomenon. An understanding of the economic, psychological and socio-cultural characteristics of the consumers and their motivations. Attitudes, cognitions. personalities and perceptions can help to discover new market opportunities, clear and specific market segmentation. All markets are made up of segments and these segments are made up of sub-segments.

Segmentation is a consumer oriented marketing strategy. It is a process of dividing the market on the basis of interest, need and motive of the consumer. Market segmentation simply means dividing market or grouping of consumers. It refers to grouping of consumers according to such characteristics as income, age, race, education, sex, geographic location etc. Therefore market segmentation is the strategy that subdivides the target market into sub- groups of consumers with distinct and homogenous characteristics with a view to develop and follow a distinct and differentiated marketing programs for each sub-group in order to enhance satisfaction to consumers and profit to themarketer.

According to Philip Kotler, "Market segmentation is the sub-dividing of a market into homogenous sub-sects of consumers where any sub-sects may conceivably be selected as a market target to be reached, With a distinct marketingmix."

Characteristics of effective segmentation
The main criteria's of effective segmentation are
- Measurability
- Substantiality
- Accessibility
- Differentiability
- Actionable
- Nature ofDemand
- Generalconsiderations

The main purpose of market segmentation is to measure the changing behaviour patterns of consumers. The size, profile, and other relevant characteristics of the segment must be measurable and obtainable in terms of data. Therefore, segments should be capable of giving accurate measurements.

Substantiality refers to the size of the segmented market. Segments must be large enough to be profitable. For small segment, it may not be possible for the marketer to develop separate marketing mix for such non profitablesegments.

The segment must be accessible, which means marketers must be able to reach the market segments at lower costs. Segments must be reachable by company's sales persons, distributors advertising media etc.

The segment should be large enough to be considered as a separate market. Such segments must have individuality of their own so that it leads to different segments.

Segmentation is required only if there are marked differences in the nature of demand.Natureofdemandreferstothedifferentquantitiesdemandedbyvarioussegments.

Each segmented market must exhibit difference in consumption rates from another segment.

Apart from the above characteristics, the segment must have growth potential, be profitable, carries no unusual risks and has competitors who do not fight directly with the product or brand.

Need and importance of market segmentation

According to Sheth, "Market segmentation is the essence of modern marketing." It is advantageous to firms as well as consumers.

Advantages to firms

- Increases salevolume.
- Helps to wincompetition.
- Enables to takedecisions.
- Helps to prepare effective marketingplan.
- Helps to understand the needs ofconsumers.
- Makes best use ofresources.
- Expandsmarkets.
- Createsinnovations.
- Higher marketsshare.
- Specialisedmarketing.
- Achieves marketinggoals.

Advantages to consumers

- Customeroriented.
- Quality product at reasonableprice.
- Other benefits such as discounts, prizeetc.

Bases of market segmentation

Different variables are used to segment the consumer markets. They can be broadly put into four categories: Geographic segmentation, Demographic segmentation, Psychographic segmentation and behavioral segmentation.

Geographic segmentation

The marketer divides the market into different geographical units. Generally international companies segment markets geographically. The theory behind this strategy is that people who live in same area have some similar need and wants and that need and wants differ from those of people living in other areas.

Area:

This type of segmentation divides the market into different geographical units such as country, state, region, district, area etc. Some manufacturers split up their sales territories either state-wise or district-wise. Markets may also be divided into urban and ruralmarkets.

Climate:

Different types of climate prevail in different places. On the basis of climate, areas can be classified as hot, cold, humid and rainy region. Climate determines the demand for certaingoods.

Population Density:

The size and density of population affects the demand for consumergoods.Inthoseareaswheresizeanddensityofpopulationishigh,therewillbe good demand for consumer goods.

Demographic segmentation

In Demographic segmentation, the market is segmented on the basis of demographic variables such as age, sex, family size, family life cycle, income, occupation, education etc. Demographic variables or characteristics are the most popular bases for segmenting the market.

Age:

Age is an important factor for segmenting the market. This is because demand and brand choice of people change with age. On the basis of age, a market can be divided into four- Children, Teenagers, Adults and Grown-ups. For consumers of different age groups, different types of products are produced. Johnson and Johnson cater to the needs of children below 6 years by presenting baby powders, baby soaps, oilsetc.

Sex:

Sex based segmentation means grouping customers into males and females. The wants, tastes, preferences, interests, choices etc, of men are different from that of women. For instance, women are more fond of cosmetics and other fancy articles. Marketers use gender differences for marketing garments, personal care products, bikes, cosmetics and magazines.

Family Life Cycle:

It refers to the important stages in the life of an ordinary family.

Broadly divided into the following stages:
Stage 1: Childhood.
Stage 2: Bachelorhood (unmarried).
Stage 3: Honeymooners- Young married couple.
Stage 4: Parenthood- (a) Couple with children.

Couple with grown up children.

Stage 5:

Post- parenthood- Older married couple with children living away from Parents (due to job or marriage of sons and daughters).

Stage 6:

Dissolution – Oneofthepartnersisdead.Wants,tastes,interests, buying habits etc, vary over different life cyclesstages.

Religion:

Religious differences have important effect on marketing. The male folk among the muslims have a demand for striped lungis and the woman folk forpardhas.

Income:

Income segmentation is used for automobiles, clothing, cosmetics, travel, financial services etc. For example, BMW (car manufacturer concentrates on high income segment).

Occupation:

Market segmentation is done also on the basis of occupation of consumers. For instance, doctors may demand Surgical equipment, lawyers may demand coatetc.

Family Size:

A marketer launches different sizes of products in the market according to size of the family. For example, shampoos and oil are available in 100 ml. 200ml. 500ml etc.

Education:

On the basis of education, market for books may be divided as high school, plus two, graduate and postgraduate.

Psychographic segmentation

It refers to grouping of people into homogeneous segments on the basis of psychological makeup namely personality and life style.

LifeStyle:

Aperson'slifestyleisthepatternoflivingasexpressedintheperson'sactivities,interests andopinions.Theyexpresstheirlifestylesthroughtheproductstheyuse.Forexample,thelifestyleof acollegestudentisdifferentfromthatofanordinaryworker.Car,clothing,cosmetics,furniture,liquor,cigarettesetc . aresegmentedbyusinglifestyle

Personality:

Personality reflects a person's traits, attitude and habits. It is in this background that a person is classified as active or passive, rational or impulsive, creative or conventional, introvert or extrovert.Forexample,Raymond'sadvertisementsays"Raymonds.TheCompleteMan"

SocialClass:

OnthebasisofSocialclass,consumersmaybegroupedintolowerclass,middleclassandupperclass.Social classisdeterminedbyincome,occupationandeducation.

Behavioural segmentation

Behavioural segmentation is based on buyer behaviour i.e. the way people behave during and after purchase.

Attitude:

Customers can be segmented on the basis of attitude such as enthusiastic, positive, indifferent, negative, hostile etc. Fashionable and latest products are used by enthusiastic consumers. Liquor, cigarette etc, are used by negativeconsumers.

Product Segmentation:

The market segmentation is done on the basis of product characteristics that are capable of satisfying certain special needs ofcustomers.

1. Prestige products, e.g., Automobiles, clothing, Homefurnishing.
2. Maturity products, e.g., Cigarettes, Bladesetc.
3. Status products, e.g., Mostluxuries.
4. Anxiety products, e.g., Medicines, soapsetc.
5. Functional products, e.g., Fruits, vegetablesetc.

Occasion Segmentation:

According to the occasions, buyers develop a need, purchase a product or use a product. There can be two types of situations- regular and special. For example, for regular use, women purchase cotton or polyester sarees or churidars. For attending marriage or reception(special occasion) they buy silksarees.

Benefit Segmentation:

Benefit segmentation implies satisfying one benefit group. The benefit may be classified into Generic or Primary and Secondary orEvolved.

Volume Segmentation:

The market is segmented on the basis of volume or quality of purchase. The buyers are grouped into categories like bulk buyers, moderate buyers, and small buyers. Heavy buyers are often small percentage of the market but account for a high percentage of total consumption. Marketers prefer to attract one heavy buyer rather than several smallbuyers.

Loyalty Segmentation:

Consumers have varying degree of loyality to specific brands. On the basis of brand loyality, buyers can be divided into the following five groups:

1. Hard-core loyals
2. Soft- core loyals
3. Shifting loyals
4. Switchers
5. Consumer innovators.

Thus all these variables affect the market segmentation, particularly of the consumers market. An ideal marketer can adopt suitable criterions for market segmentation in the background of the results obtained from the aforesaid variables. The geographic, demographic, psychographic, behavior and a few other variables are the criterions on which a marketer canrely.

Objectives of market segmentation

1. To prepare appropriate marketingprograms

It is essential for a marketer to prepare appropriate marketing programs and for this purpose, the sub-division of buyers on the basis of nature, quality and class is undertaken. It helps to find out the varied and complex buyer behaviour failing which the marketing programs cannot be appropriate. Thus, the purpose of market segmentation is to divide the consumers or buyers into different groups or segments as the wants and desires of consumers are diverse and we cannot do it without sub-dividing them in the background of different variables.

2. To trace out the taste and buyinghabits

The market segmentation is also undertaken with the purpose of locating the taste, temperament and buying habits of the different groups or segments. The behavioral scientists feel that al buyers are different. They appear keenly interested in segmenting the market as the significant differences in market behaviour between the various segments of society can’t be ruled out. In this background, the formulation of marketing policies or programs or tactics for all segments becomes urgent.

3. To find out or locate the newmarket

The market segmentation is also done with the purpose of locating new market. The group wise or segment wise study of buyer’s taste, temperament, living habits and so on help a marketer, particularly while searching new market. A marketer is required to adopt all practices which help to locate the availability of buyers in a particular region, group or segment.

4. To study the purchasepotentiality

The marketing programs cannot be pro-active unless and until, we have detailed information regarding the marketing goals. The market segmentation helps to furnish concrete information's regarding the purchasing potentiality as it studies the buying habits of almost all thegroups.

5. To make the marketcustomer-oriented

In addition to the aforesaid objectives, the market segmentation is also undertaken with the purpose of making the market customer-oriented. In a virtual sense, the market segmentation is a customer-oriented philosophy. The identification of customer demand and further formulation of appropriate strategies are the important premises of market segmentation. Thus, it would not be wrong to conclude that market segmentation is carried on with the ultimate purpose of getting or preparing a customer-orientedmarket.

MARKETING MIX

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place.

Price:

Refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall businessplan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

Product:

Refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

Place:

Refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

Promotion:

This refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests andprizes.

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and severalothers.

Other factors affecting buyer behaviour

Apart from the various factors discussed above, quite a number of other factors affect buyer behaviour. Government policies, taxation, sudden price-hikes by the government, social and health programs etc., have their influence on buyer behaviour. Total ban orrestrictions on imports of certain products may make the product not available or force the consumer to restrict its purchases or look for alternative items. Higher taxes and sudden increases in prices also restrict consumption. e.g., the recent hike in the prices of petroleum products. Fixing quotas also affect the supply of goods. Advertisements against smoking and drinking also have their influence on a section of consumers. Exhorting people to have regular exercise encourage sale of sports goods, shoes, etc. Advertisements and publicity warning people against cancer, heart disease, blood-pressure also discourage to a certain extent sales of cigarettes, alcoholic drinks, fatty oils etc.

CONSUMER DECISION MAKING PROCESS

We all make purchases every day. But we never analyse the processes behind the purchase decision, as it has become a routine affair. Generally, the decision process consists of the following stages, while purchasing a high-priced or durable product.

Problem Recognition

The consumer recognises some needs and wants or desire or problem, e.g., a consumer may feel the need of a fridge to preserve food, the need of a vehicle to move around conveniently, the need of a prestigious item for social status etc., Marketers must find out which one of these stimulates the individual to initiate the purchase process.

Information Search

The consumer tries to collect information regarding various products/services. Information may be collected from magazines, catalogues, retailers, friends, family members, business associates etc. Marketers should find out the sources of information and their relative degree of importance to theconsumer.

Evaluation of Alternatives

The various products/services (i.e., purchase alternatives) are evaluated by the consumer on the basis of some criteria. The criteria may include price, electricity consumption in the case of refrigerator, fuel efficiency in the case of a car or scooter, experts opinion about the products, opinion of family members, friends etc. The marketer must know which criteria the consumer will use in the purchasedecision.

Purchase Decision

From among the purchase alternatives, the consumer makes the selection. It may be to buy or not to buy. If the decision is to buy, then other additional decisions are: which type (brand) of refrigerator he must buy, from whom to buy and how the payment to be made and so on. The marketer, up to this stage, has tried every means to influence the purchase behaviour, but the choice is purelyconsumers.

Post-purchase Behaviour

After making the purchase, the consumer will experience some degree of satisfactions/dissatisfaction. The buyer of a new refrigerator, it satisfied, will feel happy about its purchase and say nice things about it. But, if he is not satisfied, he may dissuade his friends from purchasing it or advise them not to commit the same mistake. How the consumer gets satisfaction/dissatisfaction is a crucial feedback for themarketer.

UNIT - III
PRODUCT

Meaning and Definition

As consumers we buy different kinds of products so as to satisfy our varied needs. We buy food-grains, textiles, shaving cream, toothpaste, books, pen, pencils and many other such items in our daily life. In common parlance, we name these items as products. However, our decision to buy an item is based not only on its tangible attributes but also on a variety of associated non-tangible and psychological attributes such as services, brand, package, warranty, imageetc.

According to Schwartz, a product is something a firm markets that will satisfy a personal want or fill a businessor commercial need, and includes,all the peripheral factors that may contribute to consumers satisfaction. These factors may include reputation of the manufacturer, the warranty, credit and delivery terms, the brand name, and the courtesy shown by the sales and servicepersonnel.

William Stanton saysa product isa complex of tangible and intangible attributes including packaging, colour, price, manufacturers prestige retailers prestige and manufacturers and retailers services which the buyer may accept as offering satisfaction of wants orneeds.
From a perusal of these definitions, it is obvious that a product is not only a tangible entity. The intangible services and psychological attributes such as prestige, image, etc., which consumers look for and marketers provide in these tangible items are also an integral part of the product.

Features of Product

Not with standing variations in the emphasis and focus in the above definitions, the consensus of opinion about the meaning of the term product converges on some points. These points may be referred to as the essential features of product. These are briefly describedhere.

1. Tangibleattributes

To be called a product, an item should have the characteristic of tangibility. It means it may be touched, seen, and its physical presence felt as, for example, an automobile, scooter, pressure cooker, shaving cream, toothpaste, etc.

2. Intangibleattributes

Alternatively, it may be intangible in the form of a service for example, repairing, hair-dressing, banking or insurance services. These services may be bought independently/exclusively or may be associated with tangible products.

3. Peripheral or associatedattributes

Product may have peripheral or associated attributes to facilitate its identification and acceptance by buyers. Such attributes may be a brand, package, warranty, credit and delivery terms. By and large, brand and package are such attributes which are common to many products. For example, Hindustan Levers vanaspati ghee has a brand name DALDA and its package exhibits a conspicuous palm tree with which it has come to be identified by consumers.Itsbrandnamehasdevelopedsuchanimageinthemarketthatallkindsofvanaspati ghee that being sold is often referred to as Dalda ghee; it has become a generic name for all types of vanaspati ghee.

4. Exchangevalue

For marketing purposes, every product, whether tangible or intangible, should have an exchange value and should be capable of being exchanged between buyer and seller for a mutually agreed or acceptable consideration.

5. Consumersatisfaction

From the marketing viewpoint, products should have the ability to deliver value satisfaction to consumers for whom these are intended. This satisfaction may be both real/and or psychological. For example, when a housewife buys a Lakme lipstick she not only buys a chemical compound having some tangible features but also buys beauty. The former may deliver a real value but the psychological value is delivered by the latter

6. Business needsatisfaction

In order to be a product, an item should also have the attribute of satisfying a business need. The basic business need obviously is to earn profit on the product sold. However, it may be to meet a societal need also. For example, cholesterol-free edible oil product may satisfy a societal need; it may or may not generate profit. The test is, therefore, not whether it generates profit or not, but whether it has that attribute of generating profit or not.

After having described the essential features of the term product, it may be defined as a set of tangible, intangible and associated attributes capable of being exchanged for a value with ability to satisfy consumer and business need(s).

PRODUCT CLASSIFICATION

Products are not always bought for end consumption by buyers. They are bought for intermediate uses also; they are bought for conversion into other kinds of products through a manufacturing process. Some products, therefore, serve as inputs for other products. Some products survive a number of uses while others do not; some products are bought frequently relative to others. It is because of these differences in the purposes, motives, attitudes, shopping effort and frequency of purchases that in marketing products have been classified differently asfollows:

Consumer and industrial products

Consumer products are those products which are destined for use by ultimate consumers or households and in such form that they can be used without further commercial processing. Whereas industrial products, are those products which are destined to be used by buyers (customers) as inputs in producing other products and for further commercial processing. In other words, consumer products are meant for personal and non-business use whereas industrial products are meant for non-personal and business use. For example, soap, toothpaste, wrist watch, hair-oil, cigarettes, etc. are meant for personal use and are, therefore, classified as consumer products while machine tools, computers, trucks, machinery etc. are meant for non-personal and business use of producing other products. These are, therefore, classified as industrial products.

However, no product may be exclusively classified as consumer product orindustrialproduct. It depends on a specific purchase situation. For example, coconut oil is a consumer product when bought by a housewife for cooking purpose while the same coconut oil is an industrial product when bought by a hair-oil or soap manufacturer who buys it as an input, process it and then sells it to ultimate consumers as a different product. In the economic parlance, such as industrial buyer, therefore, adds more utilities to the product before selling it to the ultimate consumer.

Durable and Non-durable products

Products, both consumer and industrial, have also been classified as durable, non-durable and services, Durable products are those tangible products which normally survive many uses like, for example, machinery, cars, scooters, furniture, coolers, air- conditioners and refrigerators. Non-durable products, on the other hand, are those tangible products which are normally consumed in one or a few uses like, for example, lubricating oils, soap, toffees and cornflakes. Services are those intangible products like activities, benefits or satisfactions which are offered for sale, for example, hairdressing, banking and insurance etc. **Convenience**

Shopping and Specialtyproducts

Consumer products have further been sub classified on the basis of the degree and nature of shopping effort put in by consumers. Two attempts in this connection are relevant. The first attempt was made by Melvin T. Copeland of the Harvard Business School back in 1923 whose classification of consumer products has received wide support. Accordingly, consumer products have been divided into the following three types.

(a) ConvenienceProducts

Convenience products are those consumer goods which a customer usually purchases frequently, immediately, and with the minimum of effort in comparison and buying, as for instance, soap toothpaste, bread, chewing tabacco, biscuits, etc.

(b) ShoppingProducts

Shopping products are those consumer goods which the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style, as for example, refrigerator, cooler, fans, mopeds, suiting's, etc.

(c) SpecialtyProducts

Specialty products are those consumer good with unique characteristics and/or brand identification for which a significant group of buyers are habitually willing to make a special purchasing effort, as for instance, ice-cream, special eating items, fancy goods etc.

Product Mix

A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers. An organizationwith several product lines has a product mix. Product mix need not consist ofrelated products. In other words, product mix is-the composite of productsoffered for sale by a firm. It is a collection of productsmanufactured or distributed by a firm. It is the full list of all products offered by a firm.

For instance, a firmmanufactures watches, machinery items, electric lamp etc. It has four main characteristic:

1) Length.
2) Width.
3) Depth.
4) Consistency.

Length of product mix refers to the total number of items in its product mix. Width or breadth of the product mix refers to the number of different product lines offered by the company. Depth of the product mix refers to the average number of items offered by the company in each product line. Consistency of the product mix refers to how closely the various product lines are related in production requirements, distribution, channels etc. For instance, products manufactured by an electric company have an overall consistency, as most products involve electricitypower.

Factors Influencing ProductMix

Generally it is very difficult for a concern to take a decision about the number of products it should produce at a given time because the number of products or product mix is affected by several factors. Changes in the product mix, that is, adding or eliminating products, may be due to the following factors.

1. Change in demand of a product due to populationchanges,
2. Changes in purchasing power or behaviour of thecustomers,
3. Change in companydesire,
4. Development of by-products by using residuals, at lowcost,
5. The competitors actions andreactions,
6. To utilize the available marketing capacityfully,
7. Financial influences of thefirm,
8. Advertising and distributionfactors,
9. Goodwill of thefirm,
10. Possibility of adding new product to its product line at lesscost.

Product Mix Strategies

A company has several major strategies at its disposal, with respect to the width, depth and consistency of its product mix. One major management aspect involved in product policy is the decision concerning product mix. The product mix is one of the elements in the product policy. This is more important now-a-days since most of the manufacturers are diversifying their products.

The following strategies are generally employed by the producer or wholesaler of the product

1. Expansion of ProductMix.
2. Contraction of ProductMix.
3. Alteration of existingproducts.
4. Positioning theproduct.
5. Trading up and Tradingdown.
6. Product differentiation and Market segmentation.

(1) Expansion of productMix

It is also referred to diversification. A firm may expand its present product mix by increasing the number of product lines or increasing the number of product items within the same line. New lines may be related or unrelated to the present products. For instance, a provision stores may add drugs, cosmetics, baby foods, dry fruits, etc.

(2) Contraction of Product Mix (Product linecontraction)

In certain circumstances, the management has to drop the production of unprofitable products. A firm may either eliminate an entire line or simplify the assortment within a line,this is termed as contraction of product mix.

This is also termed as simplification. The process of avoiding or stopping the production of a particular product is called simplification. Simplification may be defined as deleting or eliminating those product items, which are unsatisfactory or unnecessary, from the product line. It is opposite to product diversification. It is also termed as pruning, deletion, elimination, contraction, dropping or abandonment.

(3) Alteration of ExistingProducts

As an alternative to developing a completely new product, management should take a fresh look at the company's existing products. Often, improving an established product can be more profitable and less risky than developing a completely new one. Alterations may be made in the designs size, colour, packaging, quality, etc.

(4) Positioning theProduct

When a product can offer satisfaction in the manner the buyer expects, a strong position is created in the market. The products position is the image which that product projects in relations to rival products. Products features will attract the customers or prove attractive to the customers. The positioning of the product is attained by

1. Product differentiation
2. Market segmentation
3. Market aggregation

There is a match between product attributes and consumer expectations.

(5) Trading up and tradingdown

Trading up both trading up and trading down involve bringing out changed versions of a product and altering the nature and direction of promotion. Normally, a firm will trade up or down, but not both. Trading Up refers to adding of higher priced and more prestigious products to their existing line, in the hope of increasing total sales volume. In other words, when a marketer has already gained a good reputation through marketing his low priced products in the initial stage and later on introduces high priced products, it is termed as trading up. For instance, a factory marketing terry cotton is trading up by introducing polyester.

Trading Down is the opposite to trading up. A company is said to be trading down, when it adds a lower priced item to its line of prestige products in the hope that people who cannot afford the original products, will want to buy the new one, because it carries some of the status of the higher priced product. In other words, a manufacturer of high quality products, starts producing and selling a lower quality product. The manufacturer having already gained and established, a good name in the markets wishes to widen the market for his products. In trading down new market is looked for, where the old product has not reached.

(6) Product Differentiation and MarketSegmentation

When there is a fundamental difference between one product and another, there will be a product differentiation. The product differentiation involves developing and promoting an awareness of differences between the advertiser's products and the products of others. The purpose of this differentiation is to make ones product different from those of other competitors. Awareness of differentiation is developed and promoted on company's product from the product of others. This strategy is useful and facilitates a business to remove itselffrom price competition. This system is adopted by many firms that wish to engage a non- price competition in the market. Thus a firm establishes that its product is different from, and better than, other products. This differentiation sometimes, causes monopolistic competition. When a firm has exclusive features like trade-mark, trade-name patent-rights etc., the product is differentiated. Quality, design, colour, brand, packaging etc., also make a product differentiated. For instance, toilet-soap, tooth paste, paint etc. are differentiated by increasing the price, taking into account the cost of advertisement and promotion. The seller hopes that the demand can be directed to his differentiated market products which are reasonably standard.

PRODUCT PLANNING AND POLICIES

Product planning is the process of determining that line of products which can secure maximum net realization from the intended markets.It isan-act of marking out and supervising the search, screening, development, and commercialization of new products; the modification of existing lines; and the discontinuance of marginal or unprofitable items. The managerial decision making in this area centre's around deciding the type of products company should develop and sell so that product serves as an instrument of achieving marketing objectives. It also involves surveillance of product behaviour and deciding whether it deserves to be on the product line, abandoned, orrepositioned.

NEW PRODUCT DEVELOPMENT

New product planning process consists in the creation of new ideas, their evaluation in terms of sales potentials and profitability production facilities, resources available, designing and production testing and marketing of the product. The main task of the product planners is in identify specific customer needs and expectations and align company's possibilities with the changing market demands. In each of this stage management must decide (a) whether to move on to the next stage (b) to abandon the product or (c) to seek additional information.

Stages in the new product development process

1. IdeaGeneration

The beginning of a successful product is a creative idea. For the generation of new ideas, knowledge about the unfulfilled needs of the customer, their attitudes the attributes that may be needed in a product to be of use to the customer and some useful information has to be gathered. This step starts with a sound need – oriented analysis and assessment of market opportunities and companyresources.

New ideas for the generation of a product may come from company's own research and development studies, technicians, scientists, management judgment, company's salesmen, employees, middlemen, company suppliers of raw materials, governmental agencies, company competitors and their products, trade associates, private research organisations, inventors, exhibits and trade fairs, wholesalers and retailers advertising agencies, commercial laboratories and trade journals etc. Good ideas come out of inspiration, perspiration and techniques. Creativity techniques such like attribute listing, forced relationships, Morphological analysis, and brain storming can help individuals and groups generate better ideas.

2. Ideascreening

The purposes of idea generation are to create a large number of ideas. The purpose of the succeeding stages is to reduce the number of ideas to an attractive, practicable few. The first idea-pruning stage is screening. The different idea screening techniques are follows.

a) Check-Listtechnique

The checklist enumerates desirable product characteristics on a rating scale, that guide the screener. These are widely used by marketers in the screening process. The qualities to be screened may be benefits to target consumers significantly different from rival products, can be produced economically, fits in with company image, company personnel have needed expertise and time to produce and sell it, will not consume excess amount of funds, and is economicallysound.

b) Ratingchart

In rating chart, the marketer screens the idea regarding characteristics (such as distribution, relationship to present product lines price-quality comparison with competitive products, merchandising potential, effect on present products, etc.) demand (durability market dimensions, dependence on economic climate, social stability) and potential (originality, market position, future customers,etc.)

3. Concept development andtesting

During this stage, idea – on the paper is turned into a product-on-hand. In other words, the idea is converted into a product that is producible and demonstrable. This stage is also termed as Technical Development. It is during this period that all developments of the product, from idea to final physical form, takeplace.

Any product idea can be turned into several product concepts. First, the question, who is to use this product? The powder can be aimed at infants, children, teenagers, or young or middle-aged adults. Second, what primary benefit should be built into this product? Taste, nutrition, refreshment, energy? Third, what is the primary occasion for this drink? Breakfast, midmorning lunch, midafternoon, dinner, late evening? By asking these question a company can form severalconcept.

Concept 1:

An instant breakfast drink for adults who want a quick nutritious breakfast without preparing a break fast

Concept 2:

A tasty snack drinks for children to drink as a midday refreshment.

Concept 3:

A health supplement for older adults to drink in the late evening before retiring

Concept testing

This is concerned with measuring customer reactions to the idea or concept of a product. In fact, it is a kind of research in which the product idea is screened before any money, time or labour are committed to making the prototype products. The idea of a product with as many details as possible is made known to the customers either verbally or through the use of suitable blueprints. The response of the customers is checked and only if it is found encouraging that the development of product prototype is takenup.

The concept testing can tell whether the product is likely to be a future success or not. To achieve better results, the product concept should include the finished product itself, with all details ie, packaging, price category, the brand name etc. On the basis of these detailsinterviews are conducted to collect the opinion of the would be purchasers.

4. Marketing strategydevelopment

The new-product manager must now develop a marketing – strategy plan for introducing this product into the market. The marketing strategy plan consists of three parts. The first part describes the size, structure and behaviour of the target market, the planned product positioning, and the sales, market share and profit goals sought in the first few years.

The second part of the marketing strategy outlines the products planned price, distribution strategy and marketing budget for the first year. The third part of the marketing strategy plan describes the long-run sales and profit goals and marketing-mix strategy over time.

5. Businessanalysis

After developing the product concept and marketing strategy, the management needs to prepare the sales, cost and profit projections to determine whether they satisfy the company's objectives. Business analysis is evaluating the business proposals attractiveness.

(i) Estimatingsales

Management needs to estimate whether sales will be high enough to yield a satisfactory profit. Sales-estimation methods depend on whether the product is a one-time purchase product an infrequently purchased product, or a frequently purchased product.

a. Estimating first-timesales

The first task is to estimate first-time purchases of the new product in each period.

b. Estimating replacementsales

To estimate replacement sales, management has to research the survival-age distribution of its product. The low end of the distribution indicates when the first replacement sales will take place. Since replacement sales are difficult to estimate before the product is in actual use, some manufacturers base their decision to launch a new product on their estimate of first-time sales.

c. Estimating repeatsales

For a frequently purchased new product, the seller has to estimate repeat sales as well as first-time sales. The seller should note the percentage of repeat-purchases that take place in each repeat-purchase class: those who buy once, twice, three times and so on. It is important to estimate whether the repeat purchase ratio is likely to rise or fall, and at what rate, with deeper repeat-purchaseclasses.

(ii) Estimating cost andprofits

After preparing the sales forecast, management can estimate the expected costs and profits of this venture. The costs are estimated by the R+D, manufacturing, marketing and finance departments.

6. ProductDevelopment

In this stage, the paper idea is duly converted into a physical product.

There are 3 steps in this stage

(a) Prototype development giving visual image of theproduct
(b) Consumer testing of the model or prototype
(c) Branding, packaging andlabeling.

7. Test marketing

After management is satisfied with the products functional and psychological performance, the product is ready to be dressed up with a brand name, packaging and a preliminary marketing program to test it in more authentic consumer settings. The purpose of market testing is to learn how consumers and dealers react to handling using and repurchasing the actual product and how large the market is.

The objectives of test marketing are:

a. To evaluate a complete marketing plan including advertising, distribution sales, pricingetc.
b. To determine media mix, channelsetc.
c. To forecast salesvolume Limitations of test marketingare:
a. Competitor's response and their defensive action may not allow test marketing to beconclusive.
b. Test marketing is a costlyaffair
c. It is a time-consumingmethod.

Many firms avoid test marketing, since they wish to be the first in the market. Test marketing is generally done by consumer goods companies rather than by industrial goods firms who usually try out new products with selected customers or obtain general reactions by having their sales people demonstrate products when they make theirrounds.

8. Commercialization

This is the last stage, which involves the launching of the product with a full-scale marketing programme. This stage is considered to be a critical one for any new product and should therefore be handled carefully. For instance, it should be checked whether advertising and personal selling have been done effectively and whether proper outlets have been arranged for the distribution.

The following activities are usually undertaken during this stage:

1. Completing final plans for production andmarketing.
2. Initiating coordinated production and sellingprogrammes
3. Checking results at regularintervals.

All the stages explained above stress the fact that the development of new product must pass through certain logical stage. At each stage, except for the first and the last, management has 3 alternative decisions.

- Move the proposed product on to the next stage for evaluationthere
- Terminate theproduct
- Send the proposed product back to an earlier stage for further development or evaluationthere.

PRODUCT MODIFICATION

Product modification is an adjustment made to an existing product, usually made for greater appeal or functionality. A modification may include a change to a product's shape, adding a feature or improving its performance. Often a product modification is accompanied by a change in packaging.

It is:

i. A strategy of quality improvement aims at increasing the product's functional performance-itsdurability,reliability,speed,taste.

ii. A strategy of feature improvement aims at adding new features (forexample - size, weight, materials, additives, accessories) that expand the product's versatility, safety, or convenience.

iii. A strategy of style improvement aims at increasing the product's aesthetic appeal. The periodic introduction of new car models amounts to style competition rather than quality or featurecompetition.

PRODUCT DIVERSIFICATION

Product diversification is the process of expanding business opportunities through additional market potential of an existing product. Diversification may be achieved by entering into additional markets and/or pricing strategies. Often the product may be improved, altered or changed, or new marketing activities are developed. The planning process includes market research, product adaptation analysis and legalreview.

Product diversification involves addition of new products to existing products either being manufactured or being marketed. Expansion of the existing product line with related products is one such method adopted by many businesses. Adding tooth brushes to tooth paste or tooth powders or mouthwash under the same brand or under different brands aimed at different segments is one way of diversification. These are either brand extensions or product extensions to increase the volume of sales and the number ofcustomers.

PRODUCT ELIMINATION

Product elimination = Withdrawal of a product from the normal market place

The decision to drop a product (for example, in the decline stage of its life cycle) in order to use the costs associated with it to enhance profits or to release resources that could be more effectively used in other ways. Product elimination is elimination or complete withdrawal of a product from the market. For example, withdrawal of ZEN model of car by Maruti Suzuki from Indian markets. The process of evaluation of a product's performance falls into the belowcategories-

1) Performance – sales, market share, costs involved in manufacturing, promotion and profitmade
2) Product line/mix – if the product elimination will have impact on the sale or other products (product mix), brand, and customer needs. For example, pharmaceutical companies ensure that their product elimination doesn't affect the need in themarket.
3) Customer need – ability/ inability of the product to satisfy the need of thecustomer.
4) Operations – impact on manufacturing activity, marketing, resources, management's and employee's time, support activities line servicing andmaintenance.
5) Distributors and Suppliers – how the product elimination will impact the profits and relationships with suppliers and distributors. The organisation has to assess how they will react to itsdecision.
6) Competitors – will the product elimination give advantage tocompetitors?

PRODUCT LINE

Product lining is the marketing strategy of offering for sale several related products. Unlike product bundling, where several products are combined into one, lining involvesoffering several related products individually. A line can comprise related products of various sizes, types, colors, qualities, or prices. Line depth refers to the number of product variants in a line. Line consistency refers to how closely related the products that make up the line are. Line vulnerability refers to the percentage of sales or profits that are derived from only a few products in the line. If a line of products is sold with the same brand name, this is referred to as familybranding.

When you add a new product to a line, it is referred to as a line extension. When you add a line extension that is of better quality than the other products in the line, this is referred to as trading up or brand leveraging. When you add a line extension that is of lower quality than the other products of the line, this is referred to as trading down. When you trade down, you will likely reduce your brand equity. You are gaining short-term sales at the expense of long term sales.

- Product LineContraction
- Product LineExpansion
- Changing Models or Styles of the ExistingProducts

BRANDING

Branding means giving a name to the product by which it could become known and familiar among the public. When a brand name is registered and legalised, it becomes a Trade mark. All trade marks are brands but all brands are not trade marks. Brand, brand name, brand mark, trade mark, copy right are collectively known as the language of branding.

Types of brands

In many markets, brands of different strength compete against each other. At the top level are national or international brands. A large investment has usually been put into extensive brand building— including advertising, distribution and, if needed, infrastructure support. Although some national brands are better regarded than others—e.g., Dell has a better reputation than e-Machines—the national brands usually sell at higher prices than to regional and store brands. Regional brands, as the name suggests, are typically sold only in one area. In some cases, regional distribution is all that firms can initially accomplish with the investment capital and other resources that they have. This means that advertising is usually done at the regional level. Store, or private label brands are, as the name suggests, brands that are owned by retail store chains or consortia thereof. (For example, Vons and Safeway have the same corporate parent and both carry the “Select” brand). Typically, store brands sell at lower prices than do nationalbrands.

Co-branding involves firms using two or more brands together to maximize appeal to consumers. Some ice cream makers, for example, use their own brand name in addition to naming the brands of ingredients contained. Sometimes, this strategy may help one brand at the expense of the other. It is widely believed, for example, that the “Intel inside” messages, which Intel paid computer makers to put on their products and packaging, reduced the value of the computer makers brand names because the emphasis was now put on the Intel component. In order for a business organization to successfully create an effective brand that iscapable of enhancing a products value, it needs to understand how the delivery of value differs across different types of brands. This means that a company has to know the kind of brand suitable for its offering. So what are the different kinds of brand?

They are the following:

Manufacturer Brands:

These are developed and owned by the producers, who are usually involved with distribution, promotion and pricing decisions for the brands. For example, Applecomputers.

Dealer Brands:

These are brands initiated and owned by wholesalers orretailers.

Generic Brands:

It indicates only the product category and do not includes the company name or other identifyingterms.

Family Brands:

A single brand name for the whole line closely related items. For example, Amul for milkproducts.

Individual Brands:

Each product has a special brand name such as surfetc.

Co-Brands:

It uses two individual brands on a singleproduct.

Licensed Brands:

It involves licensing of trade marks. For example, P&G licensed its Camay brand of soap in India to Godrej for a fewyears.

BRAND LOYALTY

It simply means loyalty of a buyer towards a particular brand. Loyalty defined as, "A favourable attitude and consistent purchase of a particular brand." For example, if a customer has a brand loyalty towards 'Pears', he will buy and use only that soap. There are four levels of Brand Loyalty.

Brand Recognition:

This means that people are familiar with the product and they are likely to buyit.

Brand Preference:

At this level people adopt the product- that is, they habitually buy it if it isavailable.

Brand Insistence:

It is the stage at which people will not accept anysubstitute.

Brand equity:

It is a set of assets and liabilities linked to a brands name and symbol that add to or subtract from the value provided by a product or service to a firm or that firmscustomers.

PACKAGING

The packaging of a consumer product is an important part of the marketing plan. There are many factors to be considered while designing a package. A good number of companies adopt square packages in place of round packages which save space. Lip- sticks and eye brow cosmetics are designed as pencil to be carried in ladies purses or hand bags.

Packing means wrapping of goods before they are transported or stored or delivered to consumers. On the other hand, packaging is the sub-division of the packing function of marketing. -Packaginghasbeendefinedanactivitywhichisconcernedwithprotection, economy, convenience and promotional considerations. Many marketers have called packaging a fifth P, along with four Ps i.e., price, product, place and promotion. Thus packaging is one among the activities of designing and producing the container or wrapper for a product. The wrapper or the container is calledpackage.

The Growth of Packaging

The following are the factors which influence the growth ad recognition of packaging as a marketing tool:

SelfService

A number of products are being sold year after year, through the supermarkets, on a self-service basis. Thus, they are packed and kept ready for sale. Packages attract attention, telling product features, create overall impression and win consumers confidence. So, good package is a must.

ConsumerAffluence

Consumers are willing to pay a little more for conveniences, appearance, dependability and prestige of better packages.

Company and BrandImage:

To enjoy a distinctive attraction, there must be a good brand and packaging.

InnovationalOpportunity

Innovative packaging can bring large benefits to consumers and profit to producers.

Functions of Packaging

ProductProtection

Package protects the products and is fundamental in idea. Their journey for manufacturer to consumer is facilitated. Package prevents breakage, contamination, pilferage, chemical change, insect attacketc.

ProductContainers

Package means using just the space in which a product will becontained.Ordinary packing is in the form of throw-away containers.

ProductAttractiveness

The size and shape of the package, its colour, printed matter on it etc., must make the package attractive to look at. The psychological feeling is that a good package contains good quality product in it. Attractiveness is a major consideration in modern packaging. A pictorial label on the package plays a role of silentsalesman.

ProductIdentification

Packages differentiate similar products. Packaging and labeling are inseparable and are closely related to branding. Package has more significance, when the product cannot be seen by the buyer-packed milk, fruit juice etc. Buyers depend on the package label in understanding the product in the package. An attractive label is a means of success in marketing.

ProductConvenience

The purpose of packaging is not merely confined to consumer service. The design and size of the package must be in accordance with the contents ie., product, it must be convenient to the ultimate customers. Package which can be easily handled, opened, moved etc., is appreciably favoured bycustomers.

Effective SalesTool

A good package stimulates sales: A designed and attractive package invites customers. As is the product, so is the package. Many people think that a good package,taller in size, not shorter, contains bigger products. Women like round or curved shape of packages. Packaging, attractive and innovative, has value, as many people buy the products, for the sake of containers.

Some general functions of packaging are:

1. It is an advertisingmedium.
2. It encouragers–purchases.
3. It facilitates retailersfunctions.
4. It creates product image andindividuality.
5. It enables easydisplay.
6. It protects thecontents.
7. It facilitates easy storing, transportingetc.
8. It becomes easy to identify theproducts.
9. It helps memory andrecognition.
10. It provides convenience, economy, adjustabilityetc.

Kinds of materials used for packaging

1. Earthenwares.
2. ChinaJars.
3. WoodenBoxes.
4. Card BoardContainer.
5. StrawBaskets.
6. GunnyBags.
7. GlassBottles.
8. TinContainers.
9. PlasticContainers.
10. Clothesetc.

Kinds of Packaging A consumer Package

It is a kind of package which holds the required volume of product for the household consumption. For example, toothpaste, shoe polish etc.

A Family Package

When products are related in use and are of similar quality, the firm makes the packages identical for all products by using common feature on all the packages. In this type of package system a producer uses similarity in packages i.e., material, appearance, method etc.

Re-use Package

It is also known as dual package. A producer sells the contents in such a package, which can be re-used for other purposes after the product is consumed; the package has a secondary use, after the contents are consumed. For instance, the glass jar of Nescafe Instant Coffee, and many other products are packed in such a way that the package can be put into many uses.

Multiple Package

The practice of placing several units in one container is known as multiple packaging.

For instance, Make-up set, Baby's care set etc.

Requisites of Good Package

1. It must protect thecontents.
2. It must lookattractive.
3. It must establish identity.
4. It must provideconvenience.
5. It must have lesscost.
6. It must develop the interest topossess.
7. It must arouse the people tore-purchase.
8. It must enhance the image of thebrand.
9. It must occupy lessspace.
10. It must give out a brief idea of theproduct.
11. It must buildconfidence.
12. It must have a cleanlook.
13. It must look like anasset.
14. It must possess a status todisplay.
15. It must minimize the sellersjob.
16. It must resistsoiling.
17. It must have tradecharacters.
18. It must have label-pasted.
19. It must have eye-catchinglook.
20. It must be simple indesign.
21. It must be convenient tohandle.
22. It must look like afast-seller.

LABELLING

Label is a part of the product, which carries verbal information about the product or the seller. It may be part of a package, or it may be a tag attached directly to the product. Label may be a small slip or a printed statement. It may be a part of a package or it may be attached to the product. It conveys verbal information about the product and seller. The producer gives necessary information to the consumers through the label. The act of attaching or tagging the label is known as labeling.

Labels are of threetypes:

(1) **A Brand Label** is simply popularizing the brand name of the product. It gives only the brand names. For example sanforised onclothes.
(2) **A Grade Label** identifies or emphasizes the quality standards or grades, as A, B, C or 1, 2, 3 etc. In other words, it identifies thequality.
(3) **A Descriptive Label** gives written or illustrative objective information about the use, care, performance and other features of theproduct.

Functions ofLabeling

1. It enables the producer to give clear instructions about the uses of theproduct
2. Price variations caused by the middlemen are avoided because price is printed andmaintained.
3. Manufacturer-buyer relation isestablished

4. It encourages producers to make only standardproducts.
5. Buyers can easily identify the product.

A complete label gives the followinginformation

1. Brandname.
2. Address of theproducer.
3. Gross and net quantity of thecontent.
4. Ingredients in theproduct.
5. Directions for theuse.
6. Precautionarymeasures.
7. Nature of theproduct.
8. Date of packing andexpiry.
9. Retailprice.

Advantages of Labeling

1. It grades theproduct.
2. It facilitates buyers to pay the rightprice.
3. It helps in avoidingconfusion.
4. It brings home the characteristics of aproduct.
5. It helps advertisingactivity.
6. It gives all needed information tobuyers.
7. It gives guarantee for thestandard.
8. Label is the media to popularize theproduct.

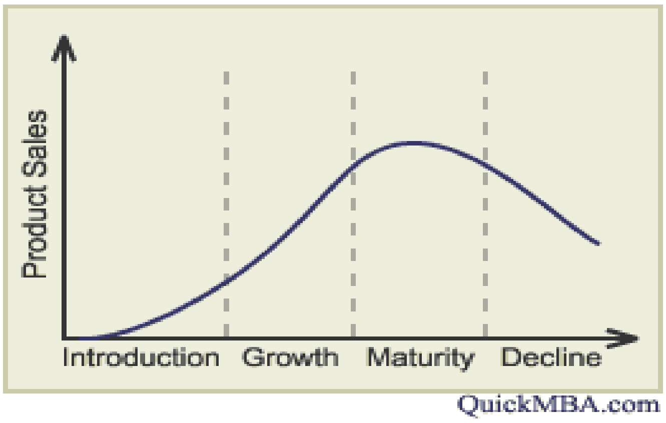
Disadvantages

1. It is of no use to ignorant or illiteratepopulation.
2. It increases the cost of theproduct.
3. Labeling must be preceded by grading andstandardization.
4. It aims at mainly popularizing the product rather than giving information to the consumers.

THE PRODUCT LIFE CYCLE

Since the product is not well known and is usually expensive (e.g., as microwave ovens were in the late 1970s), sales are usually limited. Eventually, however, many products reach a growth phase— sales increase dramatically. More firms enter with their models of the product. Frequently, unfortunately, the product will reach a maturity stage where little growth will be seen. For example, in the United States, almost every household has at least one color TV set. Some products may also reach a decline stage, usually because the product category is being replaced by something better. For example, typewriters experienced declining sales as more consumers switched to computers or other word processing equipment.

The product life cycle is tied to the phenomenon of diffusion of innovation. When a new product comes out, it is likely to first be adopted by consumers who are more innovative than others— they are willing to pay a premium price for the new product and take a risk on unproven technology. It is important to be on the good side of innovators since many other later adopters will tend to rely for advice on the innovators who are thought to be moreknowledgeable about new products for advice. At later phases of the PLC, the firm may need to modify its market strategy. For example, facing a saturated market for baking soda in its traditional use, Arm & Hammer launched a major campaign to get consumers to use the product to deodorize refrigerators. Deodorizing powders to be used before vacuuming were also created. Products often go through a life cycle. Initially, a product is introduced.



Introduction Stage

This is the first stage in product life cycle. Before a new product is introduced in the market place, it should be created first. The processes involve in this stage include generation of idea, designing of the new product, engineering of its details, and the whole manufacturing process. This is also the phase where the product is named and given a complete brand identity that will differentiate it from the others, particularly the competitors. Once all the tasks necessary to develop the product is complete, market promotion will follow and the product will be introduced to the consumers. Product development is a continuous process that is essential in maintaining the products quality and value to consumers. This means that companies need to continuously develop or innovate their products to out ride new and existingcompetitors.

Growth Stage

This is a period where rapid sales and revenue growth is realised. However, growth can only be achieved when more and more consumers will recognize the value and benefits of a certain product. In most cases, growth takes several years to happen, and in some instances, the product just eventually died without achieving any rise in demand at all. Hence, it is important that while the product is still in the development and introduction stages, a sound marketing plan should be put in place and a market and primary demand should beestablished.

Maturity Stage

In the maturity stage, the product reaches its full market potential and business becomes more profitable. During the early part of this stage, one of the most likely market scenarios that every business should prepare for is fierce competition. As business move to snatch competitors customers, marketing pressures will become relatively high. This will be characterized by extensive promotions and competitive advertising, which are aimed at persuading customer to switch and encouraging distributors to continue sell the product.

In the middle and late phases of the maturity stage, the rate of growth will start to slow down and new competitors will attempt to take control of the market. In most cases, many businesses falls and lose money in these stages as they focus more on increasingadvertising spending in hope of maintaining their grip of the market.

Decline Stage

The decline stage is the final course of the product life cycle. This unwanted phase will take place if companies have failed to revitalize and extend the life cycle of their products during the maturity stages early part. Once already in this phase, it is very likely that the product may never again recover or experience any growth, eventually dying down and beforgotten.

PRODUCTPOSITIONING

The act of creating an image about a product or brand in the consumers mind is known as positioning. In the words of Kotler, “Positioning is the act of designing the companys offer and image so that it occupies a distinct and valued place in the target consumers minds.” In short, the process of creating an image for a product in the minds of targeted customers is known as product positioning. Close-up tooth paste is looked upon by the consumers more as a mouth wash than a teeth cleaner, while ‘pepsodent’ has created an impression of germ killer in the consumers minds.

Steps in product positioning

1) Identifying potential competitive advantages:

Consumers generally choose products and services which give them greatest value. The key to winning and keeping customers is to understand their needs and buying processes far better than the competitors do and deliver morevalues.

2) Identifying the competitors position:

When the firm understands how its customers view its brand relative to competitors, it must study how those same competitors position themselves.

3) Choosing the right competitive advantages:

It refers to an advantage over competitors gained by offering consumers greater value either through lower price or by providing more benefits.

4) Communicating the competitive advantage:

The company should take specific steps to advertise the competitive advantage it has chosen so that it can impress upon the minds of consumers about the superiority claimed in respect of the product over its competingbrands.

5) Monitoring the positioning strategy:

Markets are not stagnant. They keep on changing. Consumer tastes shift and competitors react to those shifts. After a desired position is developed, the marketer should continue to monitor its position through brand tracking andmonitoring.

Elements of positioning

It is concerned with the following four elements.

1) **The Product:**

Design, special feature, attributes, quality, package etc. of product creates its own image in the minds of the consumers. Material ingredient of a product is also important in the process of productpositioning.

2) **The Company:**

The goodwill of a company lends an aura to its brand. For example, Tata, Godrej, Bajaj etc have very good reputation in themarket

3) **TheCompetitors:**

Productimageisbuiltinconsumersmindinrelationtothecompeting product. Thus a careful study of competition is required.

4) **The Consumer:**

Ultimate aim of positioning policy is to create a place for the product in consumer’s minds. Therefore, it becomes necessary to study the consumer behaviour towards theproduct.

Techniques of product positioning

Following technique are used in positioning a product in the market:

Positioning by corporate identity:

The companies that have become a tried and trusted household name. For example, Tata, Sonyetc.

Positioning by brand endorsement:

Marketers use the names of companies powerful brands for line extensions or while entering another product category. Lux, Surf, Dettoletc.

Positioning by product attributes and benefits:

It emphasize the special attributes and benefits of the product. Close-up is positioned on fresh breath and cosmetics benefits.

Positioning by use, occasion and time:

It is to find an occasion or time of use and sit on it. For example, Vicks vaporub is to be used for childs cold atnight.

Positioning by price and quality:

Company position its brand by emphasizing its price and quality. Eg. Nirma detergentpowder.

Positioning by product category:

Brand is perceived to be another product category. Eg. Maruti positioned its van as omni, familycar.

Positioning by product user:

Positioning the product as an exclusive product for a particular class of customers
Eg. Scooty as a two wheeler forteenagers

Positioning by competitor:

An offensive positioning strategy and is often seen in cases of comparative advertising. Eg. Tide andRin

Positioning by symbols:

Some companies use some symbols for positioning their products. Eg.vodafonesymbol.

UNIT - IV
PRICING

Pricing decisions have strategic importance in any enterprise. Pricing governs the very feasibility of any marketing program because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives came in to prominence in many pricingdecision.

Definition of price

Economist defines price as the exchange value of a product or services always expressed in money. To the consumer the price is an agreement between seller and buyer concerning what each is to receive. Price is the mechanism or device for translating into quantitative terms (Rupees and paise) the perceived value of the product to the customer at a point of time. The buyer is interested in the price of the whole package consisting of the physical product plus bundle of expectations or satisfactions. The consumer has numerous expectations such as accessories, after – sales – service, replacement parts, technical guidance, extra service, credit and many other benefits. Thus price must be equal to the total amount of benefits (physical, economic, social and psychological benefits).

Any change in the price will also bring about alterations in the satisfactions side of the equation. To the ultimate consumer, the price he pays for a product or service represents a sacrifice of purchasing power. Price is the only objective criteria (although an imperfect measuring rod) for the consumer for comparing alternative items and making the final choice. To the consumer price is a product disfeature, i.e., a feature of which he disapproves. However, to the seller price is a source of revenue and a main determinant of profit. To the seller it is a product feature mostwelcome.

Pricing is equivalent to the total product offering. This offering includes a brand name, a package, benefits, service after sale, delivery, and credit and so on. From the marketers point of view, the price also covers the total market offering, i.e., the consumer is also purchasing the information through advertising, sales promotion and personal selling and distribution method that has been adopted. The consumer gets these values and also covers their costs. We can now define price as the money value of a product or service agreed upon in a market transaction. We have a kind of price equation,where:

Money (price) = Bundle of Expectations.

Included in the bundle of expectations may be physical product plus other attributes such as delivery, installation, return privileges, after- sale servicing and so on.

Importance of Pricing

Price is a matter of vital importance to both the seller and the buyer in the market place. In money economy, without prices there cannot be marketing. Price denotes the value of a product or service expressed in money. Only when a buyer and a seller agree on price, we can have exchange of goods and services leading to transfer of ownership.

In a competitive market economy, price is determined by free play of demand and supply. The price will move forward or backward with changing supply and demand conditions.

The going market price acts as basis for fixing the sale price. Rarely anindividual seller can dishonor the current market price. In a free market economy, we have freedom of contract, freedom of enterprise, free competition and right to private property. Price regulates business profits, allocates the economic resources for optimum production and distribution. Thus price is the prime regulator of production, distribution and consumption of goods. Economics revolves around pricing of resources. Price influences consumer purchase decisions. It reflects purchasing power of currency. It can determine the general living standards. In essence, by and large, every facet of our economic life is directly or indirectly governed by pricing. This is literally true in our money and crediteconomy.

Pricing decisions inter-connect marketing actions with the financial objectives of the enterprise.

Among the most important marketing variables influenced by pricing decisions are:

1. Salesvolume,
2. Profitmargins,
3. Rate of return oninvestment,
4. Trademargins,
5. Advertising and salespromotion,
6. Productimage,
7. New productdevelopment.

Therefore, pricing decisions play a very important role in the design of the marketing mix. Pricing strategy determines the firms position in the market vis-a-vis its rivals. Marketing effectiveness of pricing policy and strategy should not suffer merely on account of cost and financialcriteria.

Price is a powerful marketing instrument. As a marketing weapon, pricing is the big- gun. However, it must be used with great caution. It is a dangerous and explosive marketing force. It may doom a good product to failure. Low pricing strategies are irreversible decisions. They must be used correctly from the outset. Every marketing plan involves pricing decision. Therefore, all marketing planners must take accurate and planned pricing decisions.

Pricing Objectives

The duty of the marketing manager is to decide the objectives of pricing before he determines the price itself. Pricing objectives are over all goals that describe the role of price in an organisations long-range plans. Pricing objectives provide guidance to decision makers in formulating price policies, planning pricing strategies and setting actual prices. The most important objective of the companies is to have maximum profits.

Other goal in pricing may be:

(i) To achieve target return ofinvestment;
(ii) To stabilizeprices;
(iii) Maintain or improve a target share of themarket;
(iv) Meet or preventcompetition
(v) Survival

(i) To achieve target return ofinvestment

An adequate return on investment or net sales is one of the main objectives ofpricing. The idea is to secure a sufficient return on capital used for specific products or divisions so that the sales revenues will ultimately yield a pre-determined average return for the whole company. This is generally a long –range goal. This objective is commonly used by companies that are -industry leaderand those that sell in -protected markets ,such as those for new and uniquely different products. They fix up a percentage markup
on sales to include their operating costs plus a desired profit.

(ii) Stabilizeprice

The objective of stabilising prices is to even out or, if possible, eliminate cyclical price fluctuations. During periods of depressed business, they work to keep prices from falling too low, and during periods of good business, they try to stop prices from rising. Companies seeking stability in their prices are anxious to avert price wars, when demand is declining. Price leaders tend to take a long run point of view in achieving stability. Their goal is to live and letlive

(iii) Maintain or improve target share ofmarket

Market position or sales in relation to competition, is a very, meaningful benchmark of success. Therefore, a company may set a target market share as its major pricing objective, so that by focusing attention on it, it may not lose its former market position. It tries to at least maintain status quo or to improve its position through continuous lowpricing.

(iv) Meet or PreventCompetition

Pricing is often done to meet or even prevent competition. If a company is its industries price leader, it may set prices designed to discourage new competitors from entering the market. Similarly, companies that are price followers set their prices in order to meet competitors prices. When introducing a new product, frequently low prices would be set in order to discourage competition.

(v) MaximizeProfits

This objective aims at making as much money as possible. The goal should be to maximise profits on total output rather than on each single item. A manufacturer may maximise total profits by practically giving away some articles which will attract the buyers attentions or will stimulate sales of other goods. A retailer may sell goods at a very small profit but he attracts a large numbers of customers so that the overall profit is enhanced considerably.

(vi) Survival

The fundamental pricing objective is to survive. Most organizations will tolerate short-run losses, internal upheaval, and many other difficulties if these are necessary to continue existence. Price is used to increase sale volume to levels that match the organizationsexpenses.

Factors Influencing Pricing Decisions

Pricing decisions are influenced by numerous factors. Such decisions must be consistent with companies desired public image i.e., they should derive directly from companies objective. Further, price policies should be consistent with pricing objectives, and pricing strategies should be in conformity with both price policies and pricing objectives.

Pricing decisions also require a knowledge of the company's over-allmarketingenvironment -viz., the internal factors such as company objectives, company brand image; nature and objectives of promotional effort, marketing channels, and the physical distribution system; and the environment factors, such as competition, economic climate and government controls/regulations etc. -Pricing is but one components of marketing strategy and to achieve maximum results, all components must be carefully coordinated, both in their formulation and in their implementation.

METHODS OF PRICE DETERMINATION

After formulating the objective of pricing, the next step is to determine the base price of products or services.

Usually, the steps in setting price involve the following procedure:

1. Estimate the demand for theproduct.
2. Anticipate the competitivereaction.
3. Establish the expected share of themarket.
4. Select the price strategy to be used to reach the markettarget.
5. Consider company policies regarding products, channels andpromotion.
6. Select the specificprice.

Step 1: Estimate the Demand for the Product

The demand for an established product is easier to be known than for an entirely new product. However, two steps are available for demand estimation. First to determine whether there is a price which the customers think the product is worth, i.e., the expected price may range between, say Rs.10 and 20. The seller may determine the expected price by submitting the product to an experienced retailer or wholesaler for appraisal. Producers of industrial products may know the expected price by seeking advice of the technical persons working for thecustomers.

By showing models or blue prints, necessary information may be gathered as to what the price would be or he may observe prices or competitive prices, or the potential customers may be surveyed. The most effective approach is to market the product in a few limited test areas. By quoting different prices under controlled subject, a reasonable range of price may be determined. Second, to estimate the sales volume at different prices. A product with elastic market demand is usually priced lower than the product with an inelastic demand.

Step 2:Anticipate the Competitive Reaction

Present and potential competition also influences price determination. Competition may come from three existing sources. First, from directly similar products such as the producer such as the producer may have to compete his vegetable oil product under the name of Dalda with that of Madhuram or Malti or any other new brand or different types of nylon saris. Second, the competition may be from available substitutes, e.g., butter and ghee., fluid milk and powdered milk. Third competition may be from unrelated items seeking the same consumer rupee. The shrewd marketing manager tries to discourage the potential competition, in case of new products, by keeping the prices low so that the competitors may not dare to enter themarket.

Step 3:Establish Expected Share of the Market

A firm which wants to win a large share of the market, will price its productsdifferently from a firm which is content with its present share in the market.Attempts towards capturing a large market are manifested in heavy advertisements and other forms of non-price competition. What the share of a particular firm in the market should be, would be influenced by such factors as present production capacity, cost of plant extension and ease of competition.

Step 4:Select Pricing Strategy to Reach Market Target

Broadly speaking two alternatives are available for pricing of new products. First, Skimming Pricing and penetrating pricing

(a) SkimmingPricing

This strategy involves setting a very high price so that in the initial stages, the cream of demand may be skimmed, and enormous profits made for an indefinite period or the price may be lowered later in order to tap other segments of the market. By this method the investment made in the product may be quickly realised. Skimming is probably most effective with a highly distinctive article which is aggressively promoted in the early stages of its life cycle.

There are five reasons why skim-the-cream pricing may be particularly suitable for new products. First, demand is likely to be less elastic in the early stages of the products life cycle, because price is less important and competition is also at a minimum. Second, the strategy can effectively segment the market on an income basis. The product may first be offered to the customers who are relatively little insensitive to price. Later on, price may be lowered to appeal to the customers who are highly sensitive to price. Third, it acts as a strong hedge against a possible mistake in setting the price. Fourth, the initial high price generates more profits which can be subsequently earmarked for market expansion. Fifth, high initial prices can be used to keep demand within the limits of a company's productivecapacity.

(b) Penetratingpricing

In this strategy, a low price is set to reach the market immediately, i.e., rapid penetration of the mass market is the aim and this is based on a long-term viewpoint. This type of aggressive penetration can be more satisfactory where:

(I) There exist a high short run price elasticity of demand; i.e., the quantity sold is highly sensitive to price;
(II) Substantial economies of large scale production are possible;
(III) The product faces very strong competition after it is introduced to the market;
(IV) There is possibility that public will accept the new product as a part of its daily life,
(V) There is an inadequate high income market to sustain a skim-the-cream price.

Low initial pricing may result into two things:

(I) It may discourage other firms from entering the field because the investment need in production and marketing facilities would be too great in comparison to low margin of profit;
(II) Low prices may give the initiator a strong hold on his share of the market that the competitor cannot dare to enter thefield.

Step. 5: Consider company marketing policies

This is concerned with the consideration of the product policies, distribution system; and the promotional programmes.

Product policies involve knowing the economic characteristics of the products so that pricing may be done suitably. Whether a product is of permanent nature or is of perishablenature, influence the pricing policy. Perishable products have to be disposed of within a limited time to save them from spoilage. Hence, throw-away prices may be set for fruits, vegetables, milk etc. after the days close. But so far as motor-cars, radios, cloth or such other durable products are concerned, their price need not be reduced, for demand exists for these, though it may be postponed for the time being, Change in fashion also compels the seller to dispose of his stock, before the fashion goes old.

Channels of Distribution: The nature of the channels used, and the gross-margin requirements of the middlemen influence the pricing decisions. Pricing discretion differ with the length and complexity of the chain of distribution. A firm selling through wholesalers and also directly to retailers often sets a different factory price for each of these two classes ofcustomers.

Promotional programmers:

The larger the promotional methods used, the higher will be the pricing, for expenses incurred will have to be covered from the price set.

Step 6: Select the specific price

After taking all the above facts into consideration, the last stage would be of selecting the specific price for the products by the producer. This will depend upon the cost of the product.

PRICING POLICIES

Pricing policies are more specific than the objectives and deal with situations in the foreseeable future that generally recurs. Pricing policies provide the framework and consistency needed by the firm to make reasonable, practicable and effective pricing decisions. The correctness of any pricing policy depends on such variables as managerial philosophy, competitive conditions, and the firms marketing and pricing objectives. The following are, however, the policies recognized for pricing.

1. Cost-oriented pricingpolicy,
2. Demand-oriented pricing policy
3. Competition-oriented pricingpolicy

1. Cost-oriented pricingpolicy

It is also referred to as cost-plus pricing. This pricing method assures that no product is sold at a loss, since the price covers the full cost incurred. Definitely, costs furnish a good point from which the computation of price could begin. Fixing a tentative price is easier under this method. But the criticism against this policy is that it ignores completely the influences of competition and market demand.

Cost-plus policies are often used by retail traders and in manufacturing industries where the production is non-standardized. The method of pricing here is based on simple arithmetic, adding a fixed percentage to the unit cost. Thus the retail price of a particular item might be the manufacturers cost plus his gross margin plus the wholesalers gross margin, plus the retailers gross margin. This method is known as sum of marginsmethod.

Another common method used under cost-oriented pricing is known as Target Pricing. This is invariably adopted by manufacturers who fix a target return on its total cost. Manufacturers these days use Break-Even Analysis for deciding cost-plus pricing. As mentioned earlier one defect of this pricing policy is that it ignores the demand factor. Thisanalysis helps to calculate in advance the likely relationship between the cost, volume and profit over various time periods. It has also proved to be a highly useful technique for the broad planning of manufacturingfacilities.

The break-even analysis helps a firm to determine at what level of output the revenues will equal the costs, assuming a certain selling price. For this purpose the cost of manufacture is also divided into two. Fixed and Variable costs. Fixed costs (Rent, Rates, Insurance etc.) theoretically remain constant over all levels of output. Variable costs (Labour and Material) vary with changes in output level. Fixed costs naturally decrease per unit when production increases. Variable costs, on the other hand, change as production varies i.e., no production, no variablecost.

The break-even point, therefore, is a point where there is neither loss nor profit.
This is found out by using the following equation.
BEP = Total fixed costs / Margin of contribution.
Marginofcontribution = Unit selling price – Unit variablecosts.

2. Demand-Oriented PricingPolicy

As the name suggests, under this method of pricing, the demand is the pivotal factor. Price is fixed by simply adjusting it to the market conditions. A high price is charged when or where the demand is intense, and a low price is charged when the demand is low, Price discrimination is usually adopted under such marketsituations.

3. Competition-Orientedpolicy

Most companies set prices after a careful consideration of the competitive price structure. Deliberate policies may be formulated to sell above, below, or generally in line, with competition. One important feature of this method is that there cannot be any rigid relation between the price of a product and the firms own cost or demand. Its own cost or demand may change but the firm maintains its price. Conversely, the same firm will change its price when the competitors change theirs, even if its own cost or demand has not altered. **KINDS OF PRICING**

Adopting basic principle explained above, firms may choose various kinds of pricing for their products. These are discussed below.

1. Oddpricing

The term odd prices is used in two ways. It may be a price ending in an odd number or a price just under a round number. The seller of specialty or convenience goods adopts such a pricing generally; for example, a shoe manufacturer pricing one of his products, at say, Rs. 49.92.

2. Psychologicalpricing

The price under this method is fixed at a full number. The price-setters feel that such a price has an apparent psychological significance from the view point of buyers. For example, it is stated that there are certain critical points at prices such as 1, 5 and 10. The experiments conducted proved that change of price over a certain range, has little effect until some critical point isreached.

3. Customaryprices

Such prices are fixed by custom. For example, sweets manufacturers price theirproducts in such a way that a particular variety of sweets are sold at approximately the same price. Soft drinks are also priced in the same manner. Such a pricing is usually adopted by chain stores.

4. Pricing at the prevailingprices

This kind of pricing is undertaken to meet the competition. Hence, such a pricing is also termed as Pricing at the Market. Such a strategy presumes a market inelasticity of demand below the current market price. In other words, a price above those of the competitors would sharply bring down sales while a lower price would not significantly increase them. Obviously, such a policy is aimed at avoiding price competition and price wars. In such circumstances it is not possible to have any further price reduction.

5. Prestigepricing

Many customers judge the quality of a product by its price. Generally prestige pricing is applied to luxury goods, where the seller is successful in creating a prestige for his product. The price fixed normally will be in excess of those asked for near-perfect substitutes. In such cases sale would be less at low prices than at higher ones. The merchandise can be priced too high. Customers may fear that at the low price it cannot be of good quality, and will actually buy more at a somewhat higher price than they would at a lowerprice.

6. Price lining

This policy of pricing is usually found among retailers. Technically, it is closely related to both psychological and customary prices. Under this policy the pricing decisions are made only initially and such fixed prices remain constant over long periods of time. Any change in the market conditions is met by adjustments in the quality of merchandise. In other words, the decision is made with reference to the prices paid for merchandise rather than the prices at which it will be sold.

7. Geographicpricing

This policy is sometimes used where a manufacturer serves a number of distinct regional markets. He can adopt different prices in each area without creating any ill-will among customers. For example, petrol is priced in this way, depending on the distance from the storage area to the retail outlet. It is evident from this example that a price that is quoted without transportation cost may be a different price than price quotation on which the seller agrees to absorb such cost. There are three methods that relate to the absorption of distribution cost in the price.

a) FOBpricing,
b) Zone pricing
c) Basic pointpricing

FOB pricing (Free on Board) may be of two types. FOB origin and FOB destination. In the first case the buyer will have to incur the cost of transit, and in the latter, the price quoted is inclusive of transitcharges.

Zone pricing denotes some amount of equality of prices in the same zone. For instance,ifIndiaisdividedintoSouthzone,North zone etc.,aproductwillbesoldintheSouth zone at the same price irrespective of the difference in distance between two places inside the zone.

Basic point pricing system charges the buyer the transportation cost from the basic points to the buyers location.

8. Dualpricing

When a manufacturer sells the same product at two or more different prices, it is dual pricing. This is possibly only if in the same market, different brands are marketed. The method should not be confused with the geographical pricing. There, for the same products, the prices are different at two places. The price differential is justified on account of varying distribution costs. The dual pricing is adopted in Railways. For the same distance of travel, in the very same vehicle, the services are sold to passengers at different prices under different classes. (Except for a few advantages, first class passengers do not gain much either inspeedorinthedistancetraveled).Thisisalsoreferredtoasdiscriminatorypricing.

9. Administeredpricing

This applies to the practice of pricing the products for the market, not on the basis of cost, competitive pressures, or the laws of supply and demand, but purely on the basis of the policy decisions of the sellers. In theory, this would mean that the seller disregards all other considerations except his own desire for maximising profits. The administered prices usually remain unchanged for substantial periods of time. In a sense, every price is an administered one. In other words, to the extent the management makes conscious pricing decision of its own it is an administered price.

10. Monopolypricing

New product pricing is, in essence, monopoly pricing. Since competition is absent, thesellerhasafreehandinfixingtheprice.Suchpricingwill beontheprinciplesof-what the traffic will bear. Such a price will maximize theprofit.

11. Skimmingpricing

This isalso termed as-Skim-the-Cream-pricing (Stanton). It involvessetting a very high price for a new product initially and to reduce the price gradually as competitors enter the market. It is remarked,: launching a new product with high price is an efficient device for breaking up the market into segments that differ in price elasticity of demand.

The initial high price serves to skim the cream of the market, that is relatively insensitive to price. In the case of textbooks having a high price for the first edition and lesser prices for subsequent editions follows this method. When an item is clearly different and the right price is not apparent, this method may beused.

This approach to pricing is, in effect, an experimental search for the right price, and it may result in a market-determined price. The method starts with a high price (skim price) and moves the price downward by steps until the right price is reached. The idea is that when one is unsure about what price to charge, it is advantageous to begin with too high an initial price and move systematically downwards. This procedure is thought better than starting the price experiment at too low a price and subsequently increasing the price. It is, therefore, a self or automatically administeredprice.

12. Penetrationpricing

This method is opposite to the skimming method outlined above. The skimming price policy is most convenient and profitable in the case of new products, especially in the initial years. Penetration pricing, on the other hand, is intended to help the product penetrate into market to hold a position. This can be done only by adopting a low price in the initial period or till such time the product is finally accepted by customers. This method of pricing is most common and is desirable under the following conditions.

When sales volume of the product is very sensitive to price, When a large volume of sales is to be effected, When the product faces a threat from competitors, and When stability of price is required.

13. Expectedpricing

In this method, the price that will be accepted by the consumers is found out. Naturally a fixed price cannot be decided beforehand and hence price range is offered. The response of consumers to the price is analyzed and, later, a price is fixed.

14. Sealed bigpricing

This method is followed in the case of specific job works. Government contracts are usually awarded through a system known as Tenders. The expenditure anticipated is worked out in detail and the competitors offer a price (known as contract price). The minimum price quoted is accepted and the work is awarded to the party.

15. Negotiatedpricing

This method is invariably adopted by industrial suppliers. Manufacturers who require goods of highly specialized and individually designed nature often negotiate and only then fix the price. For example, in the case of automobiles, various components required for the manufacturer are not actually produced by the companies marketing the automobiles. They find out the suppliers and entrust them with the work of manufacturing and supplying various components. This ensures fixed prices, or otherwise the price of their final product would also go up. Under such circumstances the prices are negotiated andfixed.

16. Mark-uppricing

Wholesalers and retailers in establishing a sale price adopt this method. When the goods are received, the retailer adds a certain percentage to the manufacturers price to arrive at the retail price. For example, an item that costs Rs. 20 is sold for Rs. 25, the mark-up is Rs. 5, or25%.

Pricing of New Products

Pricing a new product is an art. It is one of the most important and puzzling marketing problems faced by a firm. Pricing is important in two ways, as far as a new product isconcerned.

(a) It affects the quantity of the product to be sold
(b) It determines the amount of the revenue of afirm

New products, when introduced, appeal to many as novel items. But this distinctiveness created by novelty is only temporary. The price factor which may be ignored initially would become important when the product becomes an ordinary one because of being constantly used. Further more, competitors may also appear in the market. Therefore,the new products are hard to be priced, especially with a right price. Incorrect pricing will definitely lead to product failure. For setting a price on a new product, three guidelines are to be adopted.

1. Making the productaccepted
2. Maintaining the market
3. Retaining theprofits

There are two options available for pricing a new product. Skimming and Penetration pricing. If product is entirely new in all respects, skimming method could be used. A strategy of high prices coupled with large promotional expenditure in the initial stages has proved successful in a number of cases. Skimming pricing is recommended on account of the following reasons:

1) Initial sales would beless,
2) Helps to take the cream of market through highprices,

3) As pointed out people may like to own a new product even at a highercost,
4) Helps to develop demand as the price is gradually reduced
5) High sales volume on account of higherprice.

However, it should be noted that high initial prices may also prevent quick sales. The second option is to adopt penetration pricing. The conditions where such pricing policy would be suitable have been explained already. A comparative analysis of these two pricing systems reveals that both these methods are not free from errors.

In the case of new products, pricing has to be made with little knowledge of demand, cost and competition. The new product has also to bear the cost of promotion or creating a market. The initial cost, therefore, will be definitely greater. The cost incurred in constructing a proper channel of distribution may also be accounted for in pricing. [All these factors are to be taken into consideration in pricing. In addition, depending upon the company objectives, a company may adopt either a skimming or penetration price for its new product].

Special Problems in Pricing

After fixing a price a manufacturers is often beset with the problems of price reduction. It is needless to say that this should be considered even before fixing a price. Hence, there must always be built-in flexibility in the price structure to accommodate such requests. These are known as —Discounts, Allowances, Guarantees, etc.

PRICE DISCOUNTS

Discounts are deductions allowed by the seller from the base price of a product.
These discounts could be of the following types.

1. Tradediscounts

A manufacturer allows these discounts to a wholesaler or by a wholesaler to retailer. They are usually found in bulk purchasing. These discounts are given as a consideration for performing marketing functions.

2. Quantitydiscounts

These are deductions offered from the list prices by a seller in order to encourage a customer to buy larger amounts. This is also the case applicable to the wholesalers and retailers. Quantity discounts may attract large buyers or induce small buyers to order large quantities. Quantity discounts are sometimes changed in to cumulative and non cumulative quantity discount.

3. Cashdiscounts

It is a deduction granted by the seller to the buyer for paying his dues in time. Some suppliers offer a special discount for payment within a stipulated period from the date of invoice.

4. Seasonaldiscount

This refers to discounts offered during a particular season. It is usually done during the off-peak periods. Example: fans sold during winter season.

Allowances

These are also the same as discount but are usually given as a consideration for performing specific services.

The various types of allowances given are:

1. Promotionalallowances

Samples given at concessional rates or supplying advertising materials, etc., come under this type.

2. Brokerage allowances

This is only another form of trade discounts. A broker usually performs the function of linking together the seller and the buyer.

Besides the above deductions, the manufacturers have sometimes to bear the cost of marketing also. For example, when FOB price is quoted, the manufacturer will have to bear a part of freight. This definitely reduces his profitmargin.

UNIT - V

MEANING OF DISTRIBUTION

Distribution is the act of carrying goods or services from the producer to the consumer. It consists of an operation or series of operations which physically brings. The goods from the producer into the hands of the final user Goods have no value If they simply lie in the go-down of the manufacturer. They must be made available to the consumers. Various agencies are involved in the movement of goods from the plant door of the manufacturer to the place of the consumer. The term distribution collectively refers to all the acts or services rendered by various agencies.

Marketing and distribution

The term Marketing and distribution are often used synonymous. Marketing is a comprehensive term and distribution is the last, perhaps the most crucial phase in the process of marketing. Thus, distribution is an integral part of the marketing process. Its function is to distribute or sub-divide the total products of a producer on a geographical basis to various specificMarkets.

Role and importance of distribution

The important benefits of distribution are as follows:

- Distribution has enabled the consumers to satisfy their wants. It has created place, time and possessionutilities
- It has brought into existence of the services of the bankers andinsurers;
- Means of communication and transportation hasdeveloped.
- Problems of scarcity and famine in certain areas are solved by effectivedistribution.
- Scope for specialization and divisions of labour haveenlarged;
- It has offered gainful employment opportunities to millions ofpersons;
- Grading, packing and branding are madepossible;
- Price stability is madepossible;
- The total wealth production of the world hasincreased.

CHANNELS OF DISTRIBUTION

The word -Channelisderived from the French word -Canal. The channel of distribution, thus, refers to the pathway taken by the goods as they flow from the point of production to the point of consumption. A channel of distribution consists of various specialized marketing institutions that relates to each other as buyers and sellers. These specialized institution or agencies are called middlemen. Scholars have devoted much time to define the expression. Some of the important definitions are givenbelow.

Definition of the American Marketing Association

According to the Definitions Committee of the American Marketing Association A channel of distribution or marketing channel is the structure of intra-company organisation units and extra company agents and dealers, wholesale and retail – through which a commodity, product or service ismarketed.

Definition of Cundiff and Still

Cundiffand Still in their work -BasicMarketing Concepts,Decisions,Strategies defineadistributionchannelas-apathtracedinthedirectorindirecttransferofthetitletoaproduct as it moves from a producer to the ultimate consumers or industrial user.

Thus, the path through which goods move from the place of production to the place of consumptionisknownasthe -channelofdistribution. Thepathtakenbythegoodsin their flow may be short and direct or rather long and indirect. When the manufacturer establishes his own shop or agencies for the distribution of the goods the channel is said to be direct. It is indirect when the distribution of the goods is done through the wholesaler, retailer or special middlemen. It must also be remembered that a channel of distribution is not confined to the middlemen alone but it includes both the producer and the final consumer for the product. However, firms and institutions like railways, road transport orgainsations bankers, and insurers should not be included in the channel though they render a valuable service in the process ofdistribution.

Distribution strategy is the method one uses to get products and services on to different distribution channels and networks to reach the end customer or the purchaser; it is how and where the customer buys the product. A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. It can include wholesalers, retailers, distributors and even the internetitself.

CHANNEL FUNCTIONS

Information:

Gathering and distributingmarketingresearch and intelligence information about actor and faces in the marketing environment immediate for planning and aidingexchange.

Promotion: Developing and speeding persuasive communication about anoffer.

Contact: Finding and communication with prospective buyers.

Negotiation: Reaching an agreement on price and other terms of the offer so that ownership or possess ion can be transferred.

Physical distribution: Transporting and storing goods.

Matching: Shaping and fitting the offer to the buyer’s needs, including activities such as manufacturing, grading, assembling and packing.

Financing: Acquiring and using funds to cover the cost of the channel work.

Risk taking: Assuming the risks of carrying out the channel work.

Different Types of Channels

Goods may be supplied to the consumers in many ways. Each way is a separate possible channel to reach the particular target market. Hence the manufacturer can employ any one of the alternative channels best suited to him. Different channels can be used for the distribution of consumers goods and industrial goods. Mainly there are two types of channels. They are: Indirect channels and Directmarketingchannels.

Indirect channels

This indicates the number of intermediaries between the manufactures and consumers. Mainly there are four channel levels.

Theyare:

Distribution of Consumer Goods

Zero level channel: (Producer Consumer)

This is a direct channel since no middlemen are involved. Here the goods move directly from producer to consumer. That is, no intermediary is involved. This channel ispreferred by manufactures of industrial and consumer durable goods.

One level channel: (Producer Retailer Consumer)

In this case there will be one sales intermediary i.e, retailer. This is the most common channel in case of consumer durable such as textiles, shoes, ready garments etc.

Two level channel: (Producer / Wholesaler/ Agent / Retailer / Consumer)

This channel option has two intermediaries, namely wholesaler and retailer or agent and retailer. The companies producing consumer non durable items use thislevel.

Three level channel: (Producer / Agent / Wholesaler / Retailer / Consumer)

This contains three intermediaries. Here goods move from manufacture to agent to wholesalers to retailers to consumers. It is the longest indirect channel option that a companyhas.

Distribution of Industrial Goods

Industrial goods are generally distributed by the manufacturer by employing any one of the alternative channels.

Producer / Industrial User:

This is also a direct channel involving no middlemen. This channel is suitable for large installations like generators, heating plantsetc.,

Producer/ Industrial distributor /User:

This channel though indirect is comparatively shorter. It is best suited for the distribution of small accessory equipments like building materials, construction equipments, air conditioning equipments.etc,.

Product / Agent/user:

This channel is best suited for marketing newproducts.

Producer /Agent/IndustrialDistributor/User

Direct Marketing Channels

Direct marketing channel-agnostic form of advertising that allows businesses and non profitsorganisation to communicate straight to the customer, with advertising techniques such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising. Any medium that can be used to deliver a communication to a customer can be employed in direct marketing and it includes:

Email Marketing:

Sending marketing messages through email is one of the most widely used direct-marketing methods. According to one study email is used by 94% of marketers, while 86% use directmail.

Mobile Marketing:

Through mobile marketing, marketers engage with prospective customers and donors in an interactive manner through a mobile device or network, such as a cell phone, smart phone , or tablet. Types of mobile marketing messages include: SMS: (short message service) —

marketing communications are sent in the form of text messages, also known as texting. MMS: (multi-media message service)

Direct Mail:

The term "direct mail" is used to refer to communications sent to potential customers or donors via the postal service and other delivery services. Direct mail is sent to customers based on criteria such as age, income, location, profession, buying pattern,etc. Direct mail includes advertising circulars, catalogs, free-trial CDs, pre-approved credit card applications, and other unsolicited merchandising invitations delivered by mail to homes and businesses.

Telemarketing:

Another common form of direct marketing is telemarketing in which marketers contact customers by phone. The primary benefit to businesses is increased lead generation, which helps businesses increase sales volume and customer base.

Voicemail Marketing:

Voicemail marketing emerged out of the market prevalence of personal voice mailboxes, and business voicemail systems. Voicemail marketing presented a cost effective means by which to reach people directly, by voice

Direct Response TV:

Direct marketing via television (commonly referred to as DRTV) has two basic forms: long form (usually half-hour or hour-long segments that explain a product in detail and are commonly referred to as infomercials) and short form, which refers to typical 30-second or 60-second commercials that ask viewers for an immediate response (typically to call a phone number on screen or go to a website).

Catalogue marketing:

In catalogue marketing, an organisation provides a catalogue from which customers make selection and place orders by mail or telephone. It involves selling of products through catalogues mailed to selected customers.

FACTORS TO BE CONSIDERED IN CHANNEL SELECTION

It is very important to select a channel for the distribution of goods and services to the ultimate consumers in an effective way. The marketer has to select the most suitable channel. While selecting the channel of distribution, the marketer has to consider the followingfactors:

Nature of Product:

The selected channel must cope up perish ability of the product. If a commodity is perishable, the producer prefers to employs few middlemen. For durable and standardized goods, longer and diversified channel may be necessary. If the unit value is low , intensive distribution is suggested. If the product is highly technical, manufacture is forced to sell directly, if it is not highly technical, intensive distribution can be selected. Seasonal products are marketed throughwholesalers.

Nature of market:

If the market is a consumer market, then retailer is essential. If it is an industrial market, we can avoid retailer. If consumers are widely scattered large number of middlemen are required. When consumers purchase frequently, more buyer seller contacts are needed and middlemen aresuggested.

Competitors' Channel:

The distribution channel used by the competitors will influence the channel selection. There is nothing wrong in copying the channel strategy of the competitor if it is a rightone.

The financial ability of channel members:

Before selecting the channel, the manufacture has to think about the financial soundness of the channel members. In most of the case financial assistance are required to the channel members in the form of liberal credit facilities and directfinancing.

The Company's financial position:

A company with a strong financial background candevelopitsownchannelstructure.Thenthereisnoneedtodependotherchannelintermediaries to market their product.

Cost of Channel:

The cost of each channel may be estimated on the basis of unit sale. The best type of channel which gives a low unit cost of marketing may beselected.

Economic factors:

The economic conditions prevailing in he country have bearing on channel selection decision. During the period of boom, it is better to depend channels directly. During the periods of deflation direct relation with the consumers are desirable.

The legal restrictions:

Before giving the final shape to channels of distribution, we have to consider the existing legal provisions of the various Acts. For eg. MRTP Act prevent channel arrangements that tend to lessen competition, create monopoly and those are objectionable to the very publicinterest.

Marketing policy of the company:

The marketing policy of the company have a greater and deeper bearing on the channel choice. The marketing policies relating to channels of distribution are advertising, sales promotion, delivery, after sale service and pricing. A company has a heavy budget on advertising and sales promotion, the channel selected is bound to be direct as it requires a few layers of people to push the product.

Marketing Intermediaries (Middlemen) Meaning and Definition of Middlemen:

Middlemen as the name suggests refer to such institutions or business concerns situated in the marketing channels at points between the producer and the final buyers. They are the connecting links between the producer on one side and the consumers on the other. Producers regard them as extensions of their own marketing organizations and the final buyers consider them as sources of supply and points of contact with the producers. They are independent business concerns specialising in the task of selling.

Definition of the American Marketing Association

The definition committee of the American Marketing Association formulated the following definition.

A middlemen is one who specializes in performing operations or rendering services that are directly involved in the purchase and sale of goods in the process of their flow from the producer to the finalbuyer.

Thus, middlemen specialise in carrying out the transfer of title between the producers and the final consumers.

Classification of Middlemen

A number of institutions exist in every country to carry out the function of middlemen. These institutions on the basis of the work performed by them can be classified into two kinds – viz – (1) Agent Middlemen and (2) Merchant Middlemen.

Agent Middlemen:

Agent Middlemen or functional middlemen are those intermediaries who negotiate purchases or sales or both but do not take the title to the goods. They are also known mercantile agents.

The basic Characteristics of agent middlemen are:

1. They act as the agent of the manufacturers orbuyers.
2. They work on commission basis i.e., they receive a certain percentage of commission on the volume of sales or purchases negotiated bythem.
3. They do not take away the title to goods in which theydeal.
4. They either act as a substitute for the sales force of the producer or serve as an addition toit.

Kinds of Agent Middlemen

The various types of agent middlemen can be listed as follows:

Brokers

Are those who negotiate and make contract for the sales or purchases of goods without physically handling the goods in which they deal. They bring the buyer and seller together. Brokers have no right to fix the price or settle the terms of sales. Generally they work for the sellers. However, they are at liberty to work for the buyer or for both. Brokers are very useful for producers engaged in the manufacture of seasonal products, textile goods, and agriculturalgoods.

CommissionAgents

Just like brokers, commission agents also procure buyers or sellers, negotiate with them, and make contract for the sale or purchase of goods. But they enjoy wider powers than the brokers. They exercise physical control over the goods. They can fix the price, settle the terms of sale, deal with the third parties in their own name, accept bills, extend credit facilities and collect the dues from the customers. After deducting their dues they can remit the balance to the principal. Their services are highly useful in marketing agricultural products like fruits, vegetables and grains.

Manufacturer'sAgents

As the name suggests, they are employed by the manufactures to sell a part or his entire product at a specified price in a specified area. They have to carrya huge stock with them and so they must maintain large sales staff to dispose of their stock. They are remunerated in the form of commission. Such agents cannot deal in competing products. They are considered as a more economic agency to introduce new products. Their services are also highly helpful to small and new firms having limited number of products.

SellingAgents

They are employed by the manufacturers to undertake the entire marketing functions for all there output for the whole market. They exercise full authority and control over prices, and terms and conditions of sales also. They are financially sound and very frequently they render financial assistance even to the manufacturers. Selling agents are generally employed in the marketing of [textile goods, food products, groceary and house furnishings.

Auctioneers

They are generally appointed by the sellers. They have common places of business. The intending sellers must bring their product or samples to the business place and the auctioneers'sell them in auction. The auctioneerscan sell the products-WithReserve or -Without Reserve. If the goods are offered for sale -with Reserve''itcannotbesoldbelowthe price fixed by the sellers. In case of -without reserve theauctioneers can sell the product to the highestbidder.

Packing and ForwardingAgents

They are employed, to procure, deliver and forward goods on behalf of others.Their remuneration is very small when compared to other agents.

Export and ImportAgents

Their services are confined to few leading port cities. They cater to the needs of the principals who seek foreign markets or overseas sources of supply.

Factors

The functions of the factors are similar tocommissionagents.Theyarealso vested with the powers similar to that of commissionagents.

PurchaseAgents:

They are appointed by the manufactures to purchase industrialrawmaterialforthem.

ResidenceBuyers

They are independent men appointed by the retailers to purchase goods for foreign consumers.

Merchant Middlemen

Merchant middlemen are those who take title to the goods and channelize the goods from previous step to the next step with a view to making profit. They buy and sell goods in their own risk and the price for their effort is profit. They act as intermediaries between producers and consumers. These merchant middlemen are broadly classified into wholesalers andretailers.

The basis characteristics of merchant middlemen can be outlined as follows:

1. They act in their own right but not in the capacity of the agent of themanufacturer.
2. They have title over the goods in which theydeal;
3. They are independent agencies and do not act as substitute for the sales force of the producer;
4. They buy the goods and resell the same at aprofit;
5. They have to bear the risk involved in the process ofmarketing.

WHOLESALING

This includes all the activities involved in selling goods and services to those who buy for resale purpose. In the case of wholesaling this excludes manufacturers or producers who are involved directly in the production of the goods. They are the marketing intermediaries that buy from one source and sell it to another. The main function of a wholesaler is facilitating the transportation of the product and at times in the transfer of the titles. The intermediaries' performing the wholesaling function is predominantly divided into two types namely merchants and agents. The difference between the two forms lies in if they take title to the goods theysell.

Wholesalers

Wholesaler is a trader who deals in large quantity. He purchases goods from the producers in bulk quantity and sell it to the retailers in small quantity. According toAmerican Management Association, "wholesalers sells to retailers or other merchants and/or individual, institutional and commercial users but they do not sell in significant amounts to ultimate consumers."

Functions of wholesalers

Assembling and buying:

It means bringing together stocks of different manufactures producing same line of goods, and making purchases in case of seasonalgoods.

Warehousing:

The warehousing function of the wholesalers relieves both the producers and the retailers from the problem ofstorage.

Transporting:

Inthe process of assembling and warehousing, the wholesaler do undertake transportation of goods form producers to their warehouse and back to retailers

Financing:

They grant credit on liberal terms to retailers and taking early delivery of stock from the manufacturers to reduce their financialburden.

Risk bearing:

Wholesaler bears the risk of loss of change in price, deterioration of quality, pilferage, theft. Fireetc

Grading, Packing and packaging:

By grading they sort out the stocks in terms of different size, quality shape and soon.

Dispersing and selling:

Dispersing the goods already stored with them to the retailers.

Market information:

Finally providing the market information to the manufactures

Services of wholesalers:

A. Services toManufacturers:

1. The wholesaler helps the manufacture to get the benefit of economies of large scaleproduction.
2. Wholesalers help the manufactures to save his time and trouble by collecting orders

from large number of retailers on behalf of themanufactures.

3. The wholesaler provides market information to the manufactures which will helps him to make modifications in hisproduct.
4. The wholesaler buys in large quantities and keeps the goods in his warehouses. This relieves the manufacturer the risk of storage andobsolescence.
5. The wholesales helps to maintain a steady prices for the product by buying the product when the prices are low and selling when the prices arehigh.

B. Services toRetailers:

1. He gives valuable advices to the retailers on his business relatedmatters.
2. He helps the retailer to get the goods very easily andquickly.
3. He render financial assistance to the retailer by granting creditfacilities.
4. The wholesalers bears the risk associated with storage and distribution of goods to a certainextend.
5. The wholesaler helps the retailers to keep pricesteady.

RETAILING

Retailing is one of the largest sectors in the global economy. It employees almost 23 million people in United States alone, generating about $3 trillion in sales annually. About 50 organizations in the Fortune 500 are from the retail sector. Retail is one among the fastest growing industry. Consider Wal-Mart, the biggest retailer in the world withapproximately $250 billion in sales was started in the early sixties, while Fortune came with its annual ranking of top 500 organizations in 1952, a year when nobody would have dreamt about Wal-Mart. In the early nineties for the first time Wal-Mart became the top organization according to Fortune Magazine, which it still continues to hold. Retail is the buzzword today and this lesson explores the emerging retail scenario and the strategies available for different retail formats. The word ‘retail’ is derived from the French word retaillier, meaning ‘to cut a piece off’ or ‘to break bulk’.

Retailers

The term ‘retail’ implies sale for final consumption. A retailer is the last link between final user and the wholesaler or the manufacturer. According to Professor William Standton, “retailing includes all activities directly related to the sale of goods and services to the ultimate consumers for personal or non business use.” In other words retailer is one whose business is to sell consumers a wide variety of goods which are assembled at his premises as per the needs of final consumers. In India, Most of the Indian retail outlets are owner managed and have few or no sales assistant. Most important issues of these outlets are those of inventory management and funds management.

Functions of retailers:

Buying and Assembling:

A retailer buys goods from the best and most dependable wholesalers and assemble the goods in a singleshop.

Warehousing:

It helps the retailer to ensure adequate and uninterrupted supply of goods

Selling:

A retailer sells the products in small quantities to the needyconsumers.

Risk bearing:

It is the basic responsibility of a retailer to bear the risk arising out of physical deterioration and changes inprices.

Sales promotion:

Retailer undertakes some sales promotion through displaying of goods in the shop, distribution of sales literature, introduction of new productetc.

Financing:

A retailer granting credit in liberal terms to the consumer and it helps the consumers a lot to purchase the requiredgoods.

Supply of market information:

As being in close and constant touch with the consumers, a retailer can supply the market related information to the wholesalers and manufactures at the earliest.

Grading and Packing:

Retailers undertake second round grading and packing activities left by the manufacturers andwholesalers.

Services rendered by Retailers:

A retailer renders a number of services to the manufacturers, wholesalers and to the final users. These services are outlined below:-

A. Services to the manufacturers andwholesalers:

Providing information:

Retailer do provide the wholesalers and manufactures the information about the latest consumer movements and it helps the manufactures to produce goods according to the needs of consumers.

Looks after the distribution process:

A retailer, in general, looks after the entire distribution process and it helps the manufactures to concentrate on production.

Creation of demand:

By giving local ad and display of goods, retailers help to create demand for the goods.

A big relief:

A retailer gives a relief to the manufacturers and wholesalers from the problem of selling goods in small quantities.

B. Services to theconsumers:

No need to store goods:

A retailer holds goods on behalf of the customers at a convenient place and in convenient lot. Hence, the consumer need not buy and stock in largequantity.

Largest choice:

Retailers collects products of different manufactures and it enables the consumers to have a largest choice at cost, quality and soon.

Providing information:

A retailer supplies information about the introduction of a new product in the market and itsfeatures.

Granting credit:

Most of the retailers granting credit facilities to regular customers.

After sale services:

In certain cases a retailer provides after sales services to the ultimate consumers to ensure the customers shoployalty.

Types of retailers:

The retailers can be classified in to Small scale retailers and large scale retailers:

1. Small Scale Retailers:

Itincludes

(a) **Unit stores**:
These are the retail stores run on proprietary basis dealing in general stores or single linestores.

(b) **Street traders**:
They are the retailers who display their stock on foot paths or the side walks of the busystreet.

(c) **Market traders**:
These retailers open their shops on fixed days or dates in specified areas. The time interval may be week, or amonth.

(d) **Hawkers and peddlers:**
This type of retailers do not have any fixed place of business. They carry goods from one place to another. They keep on moving from locality to locality.

(e) **Cheap-jacks**:
Cheap jacks is retailer who has fixed place of business in a locality but goes on changing his place to exploit the marketopportunities.

2. Large scale retailers:

Itincludes

(a) **Departmental1aaaaaaaaaaaa stores**:
A departmental stores carries several product line, invariably all that is required by a typical house hold. It includes food, clothing, appliances, other house hold goods, furnishings and gifts etc. It is a central location and a unified control. In a typical department store each product line is managed independently by specialist buyers.

(b) Multiple shops:
It is a chain of retail store dealing in identical and generally restricted range of articles operating in different localities under central ownership and control. It works on the principles of centralized buying and administration and decentralized selling. It is also known as chainstore.

(c) Mail order houses:
Here, the customers do not visit the seller's premises and there is no personal inspection of goods before the purchase. Orders are received from customers through post and the goods are also sold through post. The transaction is settled

through postal medium. Eg. Leather goods, readymade garmentsetc.

(d) Consumer co-operatives:

These are the stores owned by a group of consumers themselves on co- operative principles. Here the store purchasing in bulk quantity and sells it to the consumers at a reasonable price. It is formed to eliminate the exploitation ofmiddlemen.

(e) Super markets:

This is a large, low cost, low margin, high volume, selfservice operation designed to serve customer's need for food laundry and house hold products. The wide range of product mix carried by these stores make them a favorite retail outlet.

(f) Discount stores:

Discount stores are the ones that sell standard merchandise at lower prize than conventional merchants by accepting lower margins but pushing for higher salesvolume.

(g) Convenience store:

These are generally food stores that are much smaller in size than in supermarkets. They are conveniently located in residential areas. Due to a high degree of personalized service and home delivery by store clerk, these stores fill in a very important need of a housewife.

(h) **Specialty store:**

These are ones that carry a narrow product line with a deep assortment within that line. According to some marketing thinkers, the future scenario belongs to super specialty store as they provide increasing opportunities for market segmentation, focused marketing, and creation of brandequity.