INDIAN SCHOOL AL WADI AL KABIR

Class: XII Business Studies	Department: Commerce
NOTES	Topic: MARKETING

- **Explain the term market?**

In the traditional sense, the term 'market' refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services.

- **What is marketing?**

In modern times, Phillip Kolter has defined marketing as "A social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others".

- **What are the features of Marketing?**

1. Needs and Wants: The process of marketing helps individuals and groups in obtaining what they need and want. Thus, the primary reason or motivation for people to engage in the process of marketing is to satisfy some of their needs or wants. In other words, the focus of the marketing process is on satisfaction of the needs and wants of individuals and organisations
2. Creating a Market Offering: On the part of the marketers, the effort involves creation of a 'market offering. Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc.; at a certain price; available at a given outlet or location and so on
3. Customer Value: The buyers, however, make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost. A product will be purchased only if it is perceived to be giving greatest benefit or value for the money. The job of a marketer, therefore, is to add to the value of the product so that the customers prefer it in relation to the competing products and decide to purchase it
4. Exchange Mechanism: The process of marketing works through the exchange mechanism. The individuals (buyers and sellers) obtain what they need and want through the process of exchange. Exchange is, therefore, referred to as the essence of marketing. For any exchange to take place, it is important that the following conditions are satisfied:
   (i) Involvement of at least two parties viz., the buyer and the seller.
   (ii) Each party should be capable of offering something of value to the other. For example, the seller offers a product and the buyer, money.

(iii) Each party should have the ability to communicate and deliver the product or service. No exchange can take place if the buyers and sellers are not able to communicate with each other or if they cannot deliver something of value to the other.
(iv) Each party should have freedom to accept or reject other party's offer.
(v) The parties should be willing to enter into transaction with each other. Thus, the acceptance or rejection of the offer takes place on voluntary basis rather than on the bases of any compulsion.

- **Explain the Marketing philosophy various philosophy of marketing management.**

Production philosophy

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

Product philosophy

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

Sales philosophy

The increase in the scale of business further improved the position with respect to supply of goods, resulting in increased competition among sellers. The product quality and availability did not ensure the survival and growth of firms because of the large number of sellers selling quality products. This led to greater importance to attracting and persuading customers to buy the product. The business philosophy changed. It was assumed that the customers would not buy, or not buy enough, unless they are adequately convinced and motivated to do so.Therefore, firms must undertake aggressive selling and promotional efforts to make customers buy their products. The use of promotional techniques such as advertising, personal selling and sales promotion were considered essential for selling of products.

Marketing philosophy

Marketing orientation implies that focus on satisfaction of customer's needs is the key to the success of any organisation in the market. It assumes that in the long run an organization can achieve its objective of maximisation of profit by identifying the needs of its present and prospective buyers and satisfying them in an effective way. Customer's satisfaction become the focal point of all decision making in the organisation.

Societal Philosophy

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

- **Differences in the Marketing Management Philosophies**

Philosophies/ Bases	Production Concept	Product Concept	Selling Concept	Marketing Concept	Societal Concept
Starting Point	Factory	Factory	Factory	Market	Market, Society
Main focus	Quantity of product	Quality, performance, and features of product	Existing product	Customer needs.	Customer needs and society's well being
Means	Availability and affordability of product	Product improvements	Selling and promoting	Integrated marketing	Integrated marketing.
4. Ends	Profit through volume of production.	Profit through product quality	Profit through sales volume.	Profit through customer satisfaction.	Profit through customer satisfaction and social welfare

- **Explain the functions of Marketing?**

1. Gathering and Analysing Market Information: This is necessary to identify the needs of the customers and take various decisions for the successful marketing of the products and services. This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation and help in deciding what opportunities can best be pursued by it.

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

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

4. Standardisation and Grading: Standardisation refers to producing goods of predetermined specifications, which helps in achieving uniformity and consistency in the output. Standardisation ensures the buyers that goods conform to the predetermined standards of quality, price and packaging and reduces the need for inspection, testing and evaluation of the products. Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc which helps in achieving uniformity. Grading ensures that goods belong to a particular quality and helps in realising higher prices for high quality output.

5. Packaging and Labelling: Packaging refers to designing the package for the products. Labelling refers to designing the label to be put on the package. Label may vary from a simple tag to complex graphics. Packaging is important not only for protection of the products but also serves as a promotional tool.

6. Branding: Brand name helps in creating product differentiations, i.e., providing basis for distinguishing the product of a firm with that of the competitor, which in turn, helps in building customer's loyalty and in promoting its sale. The important decision areas in respect of branding include deciding the branding strategy, say whether each product will be given a separate brand

name or the same brand name will be extended to all products of the company, say Phillips Bulbs, Tubes and Television or Videocon Washing Machine, Television, and Refrigerator.

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

8. Pricing of Product: Price of product refers to the amount of money customers have to pay to obtain a product. Price is an important factor affecting the success or failure of a product in the market. The demand for a product or service is related to its price. Generally lower the price, higher would be the demand for the product and vice-versa.

9. Promotion: Promotion of products and services involves informing the customers about the firm's product, its features, etc. and persuading them to purchase these products. The four important methods of promotion include advertising, Personal Selling, Publicity and Sales Promotion.

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

11. Transportation: Transportation involves physical movement of goods from one place to the other. As generally the users of products, particularly consumer products are wide spread and geographically separated from the place these are produced, it is necessary to move them to the place where it is needed for consumption or use.

12. Storage or Warehousing: Usually there is a time gap between the production and procurement of goods and their sale or use. In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further, there is a need for storage of adequate stock of goods to protect against unavoidable delays in delivery or to meet out contingencies in the demand.

- **What is marketing mix? Explain the elements of marketing mix.**

Marketing mix is described as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market. The marketing mix consists of four variables. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion.

Product: Product means goods or services or 'anything of value', which is offered to the market for exchange. For example, Hindustan Lever Company offers number of consumer products like toiletries (Close-Up Toothpaste, Lifebuoy Soap, etc.)

Price: Price is the amount of money customers have to pay to obtain the product. In case of most of the products, level of price affects the level of their demand.

Place: Place or Physical Distribution include activities that make firm's products available to the target customers. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries (by way of discounts, promotional campaigns, etc.). The other decision areas relate to managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers.

Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc. of the products to the target customers and persuade them to buy it. They undertake various promotional activities like advertising, personal selling and sales promotion.

- **What are consumer products? How are they classified?**

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

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

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

1. Convenience Products: Those consumer products, which are purchased frequently, immediately and with least time and efforts are referred to as convenience goods. Examples of such products are cigarettes, ice creams, medicines, newspaper, and stationery items toothpaste etc.

(a) These products are purchased at convenient locations, with least efforts and time;

(b) Convenience products have a regular and continuous demand, as these generally come under the category of essential products;

(c) These products have small unit of purchase and low prices. For example the eggs are sold at Rs.28 per dozen and the customers purchase them in small numbers;

(d) Convenience products have standardised price as most of these products are branded products;

(e) The competition in these products is high as the supply is greater than the demand. The marketers have, therefore, to heavily advertise for these products; and *(f)* Sales promotion schemes or short term incentives such as sales contests, discount offers, etc play an important role in the marketing of such products.

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

(a) The shopping products are generally of durable nature, i.e., they normally survive many uses;
(b) The unit price as well as profit margin of shopping products is generally high;

(c) As these products have high unit price, customers compare the products of different companies before making selection;

(d) Purchases of shopping products are generally pre-planned and there is little degree of impulse buying in these products; and

(e) Retailers generally play an important role in the sale of shopping products as lot of persuasive effort is needed to convince the buyers to purchase them.

3. Speciality Products: Speciality products are those consumer goods which have certain special features because of which people make special efforts in their purchase.

(a) The demand for speciality products is limited as relatively small number of people buy these products;

(b) These products are generally costly and their unit price is very high;

(c) These products are available for sale at few places as the number of customers is small and are willing to take extra efforts in the purchase of these products;

(d) An aggressive promotion is required for the sale of speciality products, in order to inform people about their availability, features, etc.; and

(e) After sales services are very important for many of the speciality products.

B. Durability of Products

On the basis of their durability, the consumer products have been classified into three categories—

Durable, Non-durable and Services.

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

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

3. Services: services are those activities, benefits or satisfactions, which are offered for sale, e.g., dry cleaning, watch repairs, hair cutting, and postal services, services offered by a doctor, an architect and a lawyer. Some of the distinguishing characteristics of services are as follows:

(a) By their very nature, services are intangible, i.e., we cannot see, feel or touch them;

(b) A service is inseparable from its source. That means we cannot separate the service from the person providing the service;

(c) The services cannot be stored. They are highly perishable. For example, if a tailor does not work for one week, the services he would have provided during such period go waste; and

(d) Services are highly variable as their type and quality depends on the person providing them. That is why, there is a difference in the extent of satisfaction we get from the services provided by different people.

- **Explain the characteristics of industrial products? How are they classified?**

Industrial products are those products, which are used as inputs in producing other products. The examples of such products are raw materials, engines, lubricants, machines, tools, etc.

The important characteristics of industrial products are given below:

1. Number of Buyers: As compared to the consumer products, the numbers of buyers of industrial products are limited.

2. Channel Levels: Because of limited number of buyers, the sale of industrial products is generally made with the help of shorter channels of distribution,

3. Geographic Concentration: Because of location of industries at certain points or regions, industrial markets are highly concentrated, geographically.

4. Derived Demand: The demand for industrial products is derived from the demand for consumer products.

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

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

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

- **What is branding?**

The process of giving a name or a sign or a symbol etc., to a product is called branding. Most marketers give a name to their product, which helps in identifying and distinguishing their products from the competitors' products.

- **Explain the following:**

1.**Brand**: A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products—goods or services of one seller or group of sellers and to differentiate them from those of the competitors. For example, some of the common brands are Bata, Lifebuoy, Dunlop, Hot Shot, and Parker.

2. Brand Name: That part of a brand, which can be spoken, is called a brand name. In other words, brand name is the verbal component of a brand. For example, Asian Paints, Safola Etc..

3. Brand Mark: That part of a brand which can be recognised but which is not utter able is called brand mark. It appears in the form of a symbol, design, distinct colour scheme or lettering. For example, the Gattu of Asian Paints.

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

- **What are the considerations, which should be kept in mind while choosing a brand name?**

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

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

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

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

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

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

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

- **Explain the term packaging. What are the different levels of packaging?**

Packaging refers to the act of designing and producing the container or wrapper of a product. Packaging plays a very important role in the marketing success or failure of many products, particularly the consumer non-durable products.

There can be three different levels of packaging.

1. Primary Package: It refers to the product's immediate container. In some cases, the primary package is kept till the consumer is ready to use the product (e.g., plastic packet for socks);

whereas in other cases, it is kept throughout the entire life of the product (e.g., a toothpaste tube, a match box, etc.).

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

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

- **Explain the importance of packaging?**

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

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

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

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

- **Explain the functions of packaging?**

Some of the important functions are as follows:

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

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

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

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

- **Describe a label. Explain its functions.**

The label may vary from a simple tag attached to the product (such as in case of local unbranded products like sugar, wheat, pulses, etc.) indicating some information about the quality or price, to complex graphics that are part of the package, like the ones on branded products.

The various functions performed by a label are as follows:

1. Describe the Product and Specify its Contents:

The label on the a popular brand of Prickly Heat Powder, describes how the product provides relief from prickly heat and controls bacterial growth and infection, giving caution forbidding its application on cuts and wounds. Thus, one of the most important functions of labels is to describe theproduct, its usage, cautions in use, etc. and specify its contents.

2. Identification of the Product or Brand:

The other important function performed by labels is to help in identifying the product or brand**.** For example, the brand name of and product, say Biscuits or Potato Chips imprinted on its package helps us to identify, from number of packages, which one is our favourite brand.

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

4. Help in Promotion of Products: An important function of label is to aid in promotion of the products. A carefully designed label can attract attention and give reason to purchase. Labels play important role in sales promotional schemes launched by companies. For example the label on the package of a Shaving Cream mentions, '40% Extra Free' or package of a toothpaste mentioning, 'Free Toothbrush Inside', or 'Save Rs15'.

5. Providing Information Required by Law: Another important function of labeling is to provide information required by law. For example, the statutory warning on the package of Cigarette or Pan Masala, 'Smoking is Injurious to Health' or 'Chewing Tobacco is Injurious to Health'.

- **Explain Pricing and the factors affecting price determination.**

The sum of values that consumers exchange for the benefit of having or using the product is referred to as
the price of the product. Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service

Factors Affecting Price Determination

1. **Product Cost:** One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold.

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

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

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

- Semi variable costs are those costs which vary with the level of activity but not in direct proportion with it. For example, compensation of a sales person may include a fixed salary of

  say Rs. 10,000 plus a commission of 5 per cent on sales. With an increase in the volume of sales, the total compensation will increase but not in direct proportion with the change in the volume of sale. Total Costs are the sum total of the fixed, variable and semi-variable costs

2. The Utility and Demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. The price of a product is affected by the elasticity of demand of the product. The demand is said to be elastic if a relatively small change in price results in large change in the quantity demanded. Here numerically, the price elasticity is greater than one. In the case of inelastic demand, the total revenue increases when the price is increased and goes down when the price is reduced. If the demand of a product is inelastic, the firm is in a better position to fix higher prices

3. Extent of Competition in the Market: Between the lower limit and the upper limit where would the price settle down? This is affected by the nature and the degree of competition. The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level.

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

5. Pricing Objectives: Pricing objectives are another important factor affecting the fixation of the price of a product or a service. Generally the objective is stated to be maximise profits. But there is a difference in maximising profit in the short run and in the long run. If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market and earn greater profits through increased sales.
Apart from profit maximisation, the pricing objectives of a firm may include:
(a) <u>Obtaining Market Share Leadership</u>:
If a firms objective is to obtain larger share of the market; it will keep the price of its products at lower levels
so that greater number of people are attracted to purchase the products;
(b) <u>Surviving in a Competitive Market:</u>
If a firm is facing difficulties in surviving in the market because of intense competition or introduction
of a more efficient substitute by a competitor, it may resort to a promotion campaign to liquidate its stock; and
(c) <u>Attaining Product Quality Leadership:</u> In this case, normally higher prices are charged to cover high quality and high cost of Research and Development.

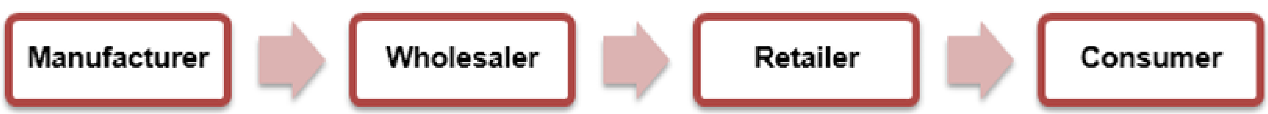
6. Marketing Methods Used: Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services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

- **DEFINE PHYSICAL DISTRIBUTION**

It is concerned with making the goods and services available at the right place, so that people can purchase the
same. There are two important decisions relating to this aspect—
(I) Regarding physical movement of goods from producers to consumers or users and
(II) Regarding the channels of using intermediaries in the distribution process.

DEFINE CHANNELS OF DISTRIBUTION? WHAT FUNCTIONS DO THEY PLAY IN THE DISTRIBUTION OF GOODS AND SERVICES? EXPLAIN.

Channels of Distribution: Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers.

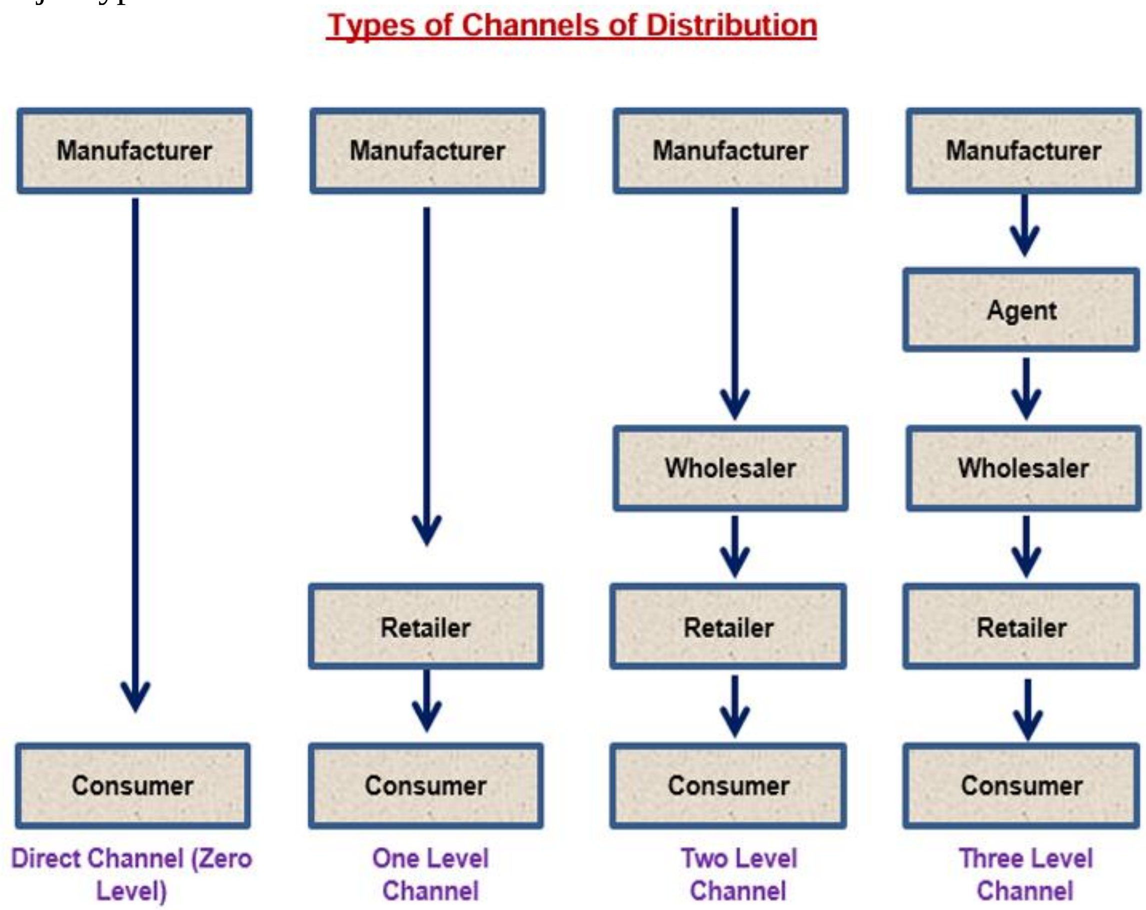


Functions of Distribution Channels:
The important functions performed by middlemen are as follows:

1. **Sorting**: Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature, and size.
2. **Accumulation:** the accumulation of goods into larger homogeneous stocks that aid in the maintenance of a continuous flow of supply. Allocation entails dividing homogeneous stock into smaller, more marketable lots.
3. **Allocation:** These involve breaking down of larger units of supply/stock received by the supplier into smaller units and pack them separately.
4. **Assorting:** Middlemen procure variety of goods from different sources and deliver them in combinations desired by customers. Middlemen build assortment of products for resale.
5. **Product Promotion:** Middlemen take part in activities such as demonstrations, special displays, and so on.
6. **Negotiation:** Intermediaries act as middle men who negotiate the deal between manufacturers and consumers. They ensure that the deal is as such that it satisfies the need of both parties. Manufacturers, intermediaries, and customers bargain over price, quality, and other issues.

7. **Risk Taking:** Merchant middlemen take title to the goods, assuming risks such as price and demand fluctuations, spoilage, destruction, and so on.

- **DISCUSS IN DETAIL ABOUT THE VARIOUS TYPES OF CHANNELS?**
  TYPES OF CHANNELS OF DISTRIBUTION:
  A manufacturer may choose from direct distribution to indirect distribution and from a short channel consisting of few intermediaries to a long channel of distribution consisting of large number of middlemen.
  The major types of channels are as follows:



Direct Channel (Zero Level)
The manufacturer and the customer establish a direct relationship. Manufacturer-Customer. For example, mail order, internet, and door-to-door sales.

Indirect Channel
The distribution network is referred to as indirect when a producer uses one or more intermediaries to move goods from the point of production to the point of sale.

1. Manufacturer-Retailer-Customer (One Level Channel)
Between the manufacturers and the customers, one intermediary, namely retailers, is used. Typically used for high-end items such as watches, appliances, automobiles (Maruti Udyog), and so on.

2. Manufacturer-wholesaler-Retailer-customer (Two Level Channel):
This channel is primarily used for consumer goods distribution. Typically used for consumer goods such as soaps, salt, and so on.

3. Manufacturer → Agent → Wholesaler → Retailer → Customer (Three Level Channel):
Manufacturers use their own selling agents or brokers in this case, who connect them with wholesalers, then retailers, and finally consumers.

- **EXPLAIN THE FACTORS DETERMINING THE CCHOICE OF CHANNEL OF DISTRIBUTION?**

1. Product Related Factors: The important product related considerations in deciding the channels include whether the product is an industrial or a consumer product, whether it is a perishable or a non-perishable product, what is the unit value of the product and the degree of complexity of the product. For example, in case of perishable goods, short channels of distribution would be more suitable. Similarly, for consumer products, long channels are used, while for industrial products, short channels are used.

2. Company Characteristics: There are two important characteristics of a company which determine the channel of distribution used by it, namely financial strength and the degree of control which the company wishes to command over intermediaries. Shorter channels of distribution not only require greater funds but also offer greater control over intermediaries, whereas longer channels of distribution require less funds and offer less control over intermediaries. Accordingly, a financially strong company or a company which wishes to command greater control over intermediaries would opt for shorter channels of distribution.

3. Competitive factors: The channel of distribution opted by a company also depends on the channels opted by its competitors. It will depend upon the policy of the firm whether it wants to go with the competitors or be different from them. The changing global marketing environment has led to adoption of newer channels.

4. Market factors: There are various market factors such as size of the market, geographical concentration of potential buyers, volume of demand etc. which determine the choice of channels of distribution which the company opts. For example, if potential buyers are concentrated in only a small geographical area, then shorter channels of distribution would be more suitable. but if the buyers are widely dispersed over a large geographical area, longer channels may be used. Similarly, if the size of order is small, as in case of most consumer products, large number of intermediaries may be used. But if the size of order is large, direct channels may be used.

5. Environmental Factors: Other important factors affecting the choice of channels of distribution include environmental factor such as economic condition and legal constraints.

In a depressed economy marketer use shorter channels to distribute their goods in an economical way.

- **EXPLAIN THE COMPONENTS OF PHYSICAL DISTRIBUTION**

Components of Physical Distribution

The main components of physical distribution are explained as follows:

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

2. Transportation: Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is one of the major elements in the physical distribution of goods

3. Warehousing: Warehousing refers to the act of storing and assorting products in order to create time utility in them. The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them. Generally the efficiency of a firm in serving its customers will depend on where these warehouses are located and where are these to be delivered. Generally larger the number of warehouses a firm has, lesser would be the time taken in serving customers at different locations but greater would be the cost of warehousing and vice- versa. Thus the firm has to strike a balance between the cost of warehousing and the level of customer service.

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

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

The major factors determining inventory levels include:

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

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

(c) responsiveness of the distribution system i.e., ability of the system to transmit inventory needs back to the factory and get products in the market. In case the time required to respond to the

additional demand for the products is high there is a need to maintain higher inventory. But if the additional demand can be met in less time, the need for inventory will also be low; and
(d) cost of inventory, which includes holding cost such as cost of warehousing, tied up capital, etc and the manufacturing cost.

- **Define Promotion?**

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

- **Define Promotion Mix**

Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives. Various tools of communication are used by the marketers to inform and persuade customers about their firm's products. These include: (i) Advertising, (ii) Personal Selling, (iii) Sales Promotion, and (iv) Publicity. These tools are also called elements of promotion mix and can be used in different combinations, to achieve the goals of promotion.

- **What do you mean by advertising? What are its features? Discuss its merits.**

<u>Meaning:</u>
Advertising is an important form of impersonal communication which is paid by the marketers to
Promote some goods or services. Some common modes of advertising includes:
Newspapers, Magazines, Television and Radio

<u>Features of advertising:</u>

1. **Paid form**: Advertising is a paid form of communication. The sponsor (marketer) has to bear the costs of communicating with the prospects (customers)
2. **Impersonality**: There is no direct face-to-face contact between the prospect and the advertiser. Hence it is referred to as an impersonal method of promotion.
3. **Identified Sponsor**: Advertising is undertaken by some identified individual or company, who makes the advertising efforts and also bears the cost of it.

<u>Merits of Advertising:</u>

1. **Mass Reach**: Advertising is a medium through which a large number of people can be reached over a vast geographical area
2. **Enhancing customer satisfaction and confidence**: Advertising creates confidence amongst prospective buyers as they feel assured about the product quality and are more satisfied.

3. **Expressiveness**: With the special effects related to art, graphics, computer designing etc, that can be created, even simple products and messages can look very attractive.
4. **Economy**: Because of the wide reach of advertising, the overall cost of advertising gets spread over a number of communication links established. As a result, the per unit cost of reach comes low. It is a very economical mode of communication if large number of people are to be reached.

- **There are certain criticisms (objections) against advertising. Explain those objections and discuss to what extent these objections are true?**

Or

- **Give the views of opponents and the proponents regarding advertisement.**

1. **<u>Adds to Cost:</u>**
   Criticism: Advertising unnecessarily adds to the cost of the product, which is ultimately passed on to the buyers in the form of high prices. The money spent adds to the cost, which is an important factor in fixation of the price of a product.
   Reality: Advertisement of a product costs lot of money but it helps to increase the demand for a product as large number of potential buyers come to know about the availability of the products, its features, etc and are persuaded to buy it.

2. **<u>Undermines Social Values:</u>**
   Criticism: Advertising undermines social values and promotes materialism. It breeds discontent among people as they come to know about new products and feel dissatisfied with their present state of affairs.
   Reality: Advertisement in fact helps the buyers by informing them about the new products, which may be an improvement over the existing products. They will buy if the advertised product satisfies some of their needs. They may be motivated to work harder to be able to purchase these products.

3. **<u>Confuses the buyers:</u>**
   Criticism: So many products are being advertised which makes similar claims that the buyer gets confused as to which one is true and which one is to be relied upon. It is sometimes so confusing as to which one to buy.
   Reality: The supporters of advertisement argue that we are all rational human beings who make our decisions for the purchase of products on factors such as price, style, size, etc. Thus the buyers can clear their confusion by analyzing the information provided on the advertisement and other sources before taking a decision to purchase a product.

4. **Encourages sale of inferior products:**
   Criticism: Advertising does not distinguish between superior and inferior products and persuade people to purchase even the inferior products.
   Reality: Advertisements sell products of a given quality and the buyers will buy if it suits their requirements. No advertisement should however, make false claim about the quality of a product. If a firm makes false claims, it can be prosecuted for the same.

5. **Some advertisements are in bad taste**:
   Criticism: Advertisements show something which is not approved by some people. Example – Advertisements showing women dancing when not required, distorting the relationship like employer employee and are quite offensive.
   Reality: Misuse of advertising as a tool which can be properly safeguarded by law or by developing a code of conduct by the advertisers for their self regulation.

- **What is personal selling? Discuss its features and merits?**

PERSONAL SELLING

Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of sales. It is a personal form of presentation.

Features of Personal Selling

(i)Personal Form: It is direct face-to-face dialogue that involves an interactive relationship between seller and the buyer.
(ii)Development of Relationship: It allows salesperson to develop personal relationship with customers, which may become important in making sale.

Merits of Personal selling

(i)Flexibility: It is flexible as it can be adjusted to fit the specific needs of the individual customers.
(ii)Direct Feedback: As there is direct communication, it is possible to take a direct feedback from the customer and adjust presentation according to the needs of the prospective customers.
(iii)Minimum Wastage: The wastage can be minimized by deciding the target customers before making any contact with them.

- **Discuss the role of personal selling in the marketing of goods and services**

OR

Discuss the importance of personal selling to businessmen, to customers and to the society

Personal Selling plays a very important role in the marketing of goods and services, these are explained as follows:

<u>Importance to Businessmen</u>

(i)Effective Promotional Tool: It helps in influencing the prospective customers about the merits of a product and thereby increasing its sales.

(ii)Flexible Tool: It is more flexible than other tools of promotion as it allows the business in adopting their offer in varying business situation.

(**iii)Minimizes wastage of Efforts:** Compared to the other tools, the possibility of wastage of efforts in personal selling is minimum. It brings the advantage of economies of scale.

(iv)Consumer Attention: There is an opportunity to detect the loss of consumer attention and interest in personal selling.

(v)Lasting Relationship: It helps to develop lasting relationship between business and customer.

(vi)Personal Rapport: Personal Rapport with customers increases the competitive strength of a business organization.

(vii)Role in introduction stage: In the introductory of new product, personal selling helps to persuade customers about the merits and quality of the product.

(viii)Link with customers: Sales people play informative role, persuasive role and service role and thereby link a business firm with its customers.

<u>Importance to customers</u>

(i)Help in identifying needs: Personal selling helps the customers in knowing their needs and wants and the way of satisfying them.

(ii)Latest Market Information: Latest market information regarding price changes, product availability helps the customers to take the buying decision.

(iii)Expert Advice: Customers get expert advice and guidance in purchasing various goods and services.

(iv)Induces Customers: It induces customers to purchase new products that satisfy their needs in a better way to improve the living standards.

<u>Importance to Society</u>

(i)Converts Latest Demand: Personal selling converts latest demand into effective demand. It is through this cycle that the economic activity is fostered leading to more jobs and income.

(ii)Employment Opportunities: It offers greater employment and income opportunities to the unemployed youth.

(iii)Career Opportunities: It provides better career opportunities, independence, and security to young men and women.

(iv)Mobility of Sales People: There is greater degree of mobility among sales people which promote travel and tourism in the country.

(v)Product standardization: It increases product standardization and uniformity in consumption pattern.

- **What is Sales Promotion? Discuss its merits and demerits.**

<u>SALES PROMOTION</u>

It refers to short term incentives which are designed to encourage the buyers to make immediate purchase of a product or service. Sales promotion activities include offering cash discounts, sales contests, free gift and sample distribution.

<u>Merits of Sales Promotion</u>

(i)Attention Value: It attracts the attention of people because of incentives used.

(ii)Useful in new product launch: It is effective at the time of new product launch as it induces customers to break away from regular buying habits and try the new product.

(iii)Synergy in Total Promotional Efforts: These activities supplements the personal selling and advertising efforts used by a firm and to the overall effectiveness of promotional mix.

<u>Limitations of sales Promotion</u>

(i)Reflects Crisis: If a firm frequently relies on sales promotion tools then it may reflect that it is unable to manage its sales.

(ii)Spoils Product Image: Use of sales promotion tools may affect the image of a product, making the customers feel that the product is not of good quality.

- **Explain in detail the commonly used sales promotion activities**

1. Rebate: It refers to offering product at a special price to clear excess stock. E.g. electronic items dealers offer Plasma TVs at discount of Rs.5, 000.

2. Discount: Offering product at lower than the list price. E.g. shirt retailer offering products at 20% discount.

3. Refunds: A part of the price is refunded by the seller if the customer can present some proof of purchase like empty wrappers. It boosts up sales.

4. Product Combination: Offering another product as gift along with purchase of a product. E.g. 2GB memory card free with a digital camera.

5. Quantity Gifts: Offering extra quantity of the product. E.g. a shaving cream offering 40% extra at no additional cost.

6. Instant Draw: It offers scratch card for instant draw and assured gifts. E.g. scratch n win laptop, camera.

7. Lucky Draw: Offer to win gifts from lucky draw coupons. E.g. Win gold coins on a bathing soap.

8. Usable Benefit: Special voucher or package offered on purchase of certain item. E.g. Discount voucher on purchase of goods worth Rs.2000

9. Full Finance @ 0%: Marketers of consumer durables makes such offer, where a down payment is made and remain paid in instalments. E.g. LEDs offered at 10% cash down and remaining in 12 equal annual installments.

10. Sampling: Offer of free sample of a product at the time of its launch E.g. sample of detergent powder given when it is introduced in the market.

11. Contests: Competitive events involving application of skills or luck. E.g. writing a slogan or solving a quiz to win a product.

- **Discuss the role of 'Publicity' as an element of promotion mix**
    - Publicity is similar to advertising, in the sense that it is a non-personal form of communication.
    - It is a non-paid form of communication.
    - Publicity generally takes place when favorable news is presented in the mass media about a product or a service
    - Example: When a manufacturer achieves a break through by developing a car engine which runs on water than on petrol and this news is covered by television or radio or newspapers in the form of a news item.

Features of Publicity:

1. Publicity is an unpaid form of communication which does not involve any direct expenditure by the marketing firm.
2. There is no identified sponsor for the communication as the message goes as a news item.

- **What is public relation?**

Public relation is the sustained and planned effort to influence **public** opinion and to establish and maintain mutual understanding between an organisation and the **public**

- **Explain the role of Public Relation.**

OR

- **Explain the functions performed by PRD (Public Relation Department).**

1. Press relations: Information about the organisation needs to be presented in a positive manner in the press. Generating news requires skill in developing and researching a story and getting the media to accept press releases is a difficult task. The public relations department is in contact with the media to present true facts and a correct picture about the company. Otherwise news can get distorted if taken from other sources.
2. Product publicity: New products require special effort to publicise them and the company has to sponsor such programmes. The public relations department manages the sponsoring of such events. The company can draw attention to new products by arranging sports and cultural events like news conferences, seminars and exhibitions.
3. Corporate communication: The image of the organisation needs to be promoted through communicating with the public and the employees within the organisation. This is usually done with the help of newsletter, annual reports, brochures, articles and audio-visual materials. Companies rely on these materials to reach and influence their target markets. Speeches by the company's executives at a meeting of trade associations or trade fairs can really boost the company's image. even interviews with TV channels and responding to queries from the media go a long way in promoting public relations.
4. Lobbying: The organisation has to deal with government officials and different ministers in charge of corporate affairs, industry, finance with respect to policies relating to business and the economy. The government also seeks to maintain a healthy relationship with associations of commerce and industry and solicits the opinion of major stakeholders while formulating industrial, telecom, taxation policies, etc. The public relations department then has to be really proactive in promoting or decoding regulations that affect them.
5. Co u n s e l l i n g : The public relations department advises the management on general issues which affect the public and the position the company would like to the take on a particular issue. The company can build goodwill by contributing money and time to certain causes like environment, wildlife, children's rights, education, etc. Such cause-related activities help in promoting public relations and building goodwill.

- **What are the other objectives achieved by maintaining good public relations?**

(a) Building awareness: Public relations department can place stories and dramatize the product in the media. This will build marketplace excitement before the product reaches the market or media advertising takes place. This usually creates a favourable impression on the target customer.
(b) Building credibility: If news about a product comes in the media whether print or electronic it always lends credibility and people believe in the product since it is in the news.
(c) stimulates sales force: It becomes easier for the sales force to deal with the retailers and convince dealers if they have already heard about the product in the news before it is launched. Retailers and dealers also feel it is easier to sell the product to the ultimate consumer.
(d) Lowers promotion costs: Maintaining good public relations costs much less than advertising and direct mail. However, it requires a lot of communication and interpersonal skills to convince the media to give space or time for the organisation and its product.

- **Distinguish between advertising and personal selling.**

Difference between Advertising and Personal Selling

S. No.	Advertising	Personal Selling
1.	Advertising is an impersonal form of communication.	Personal selling is a personal form of communication.
2.	Advertising involves transmission of standardised messages, i.e., same message is sent to all the customers in a market segment.	In personal selling, the sales talk is adjusted keeping view customer's background and needs.
3.	Advertising is inflexible as the message can' t be adjusted to the needs of the buyer.	Personal selling is highly flexible. as the message can be adjusted.
4.	It reaches masses, i.e., a large number of people can be approached.	Only a limited number of people can be contacted because of time and cost considerations.
5.	In advertising the cost per person reached is very low.	The cost per person is quite high in the case of personal selling.
6.	Advertising can cover the market in a short time.	Personal selling efforts take a lot of time to cover the entire market.
7.	Advertising makes use of mass media such television, radio, newspaper, and magazines.	Personal selling makes use of sales staff, which has limited reach.
8.	Advertising lacks direct feedback. Marketing research efforts are needed to judge customers' reactions to advertising.	Personal selling provides direct and immediate feed back. Sales persons come to know about the customers' reactions immediately.
9.	Advertising is more useful in creating and building interest of the consumers in the firms products.	Personal selling plays important role at the awareness stage of decision making.
10.	Advertising is more useful in marketing to the ultimate consumer's who are large in numbers.	Personal selling is more helpful in selling products to the industrial buyers or to intermediaries such as dealers and retailers who are relatively few in numbers.